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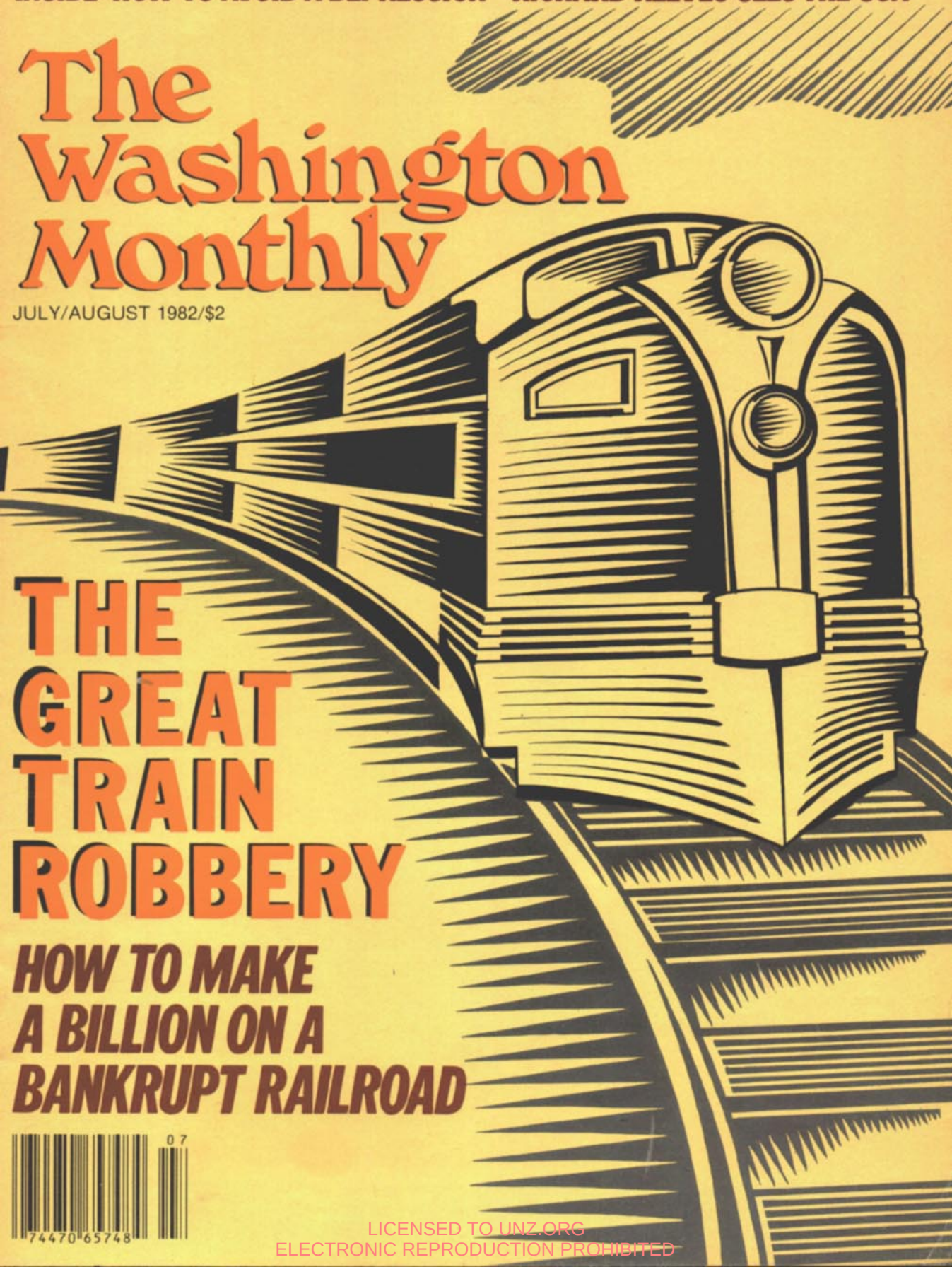
The Washington Monthly

JULY/AUGUST 1982/$2



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Letters

Other Nominations Welcome

Charles Peters's comment ["Political Booknotes," May] that Kissinger's "ability to restrain his self-critical tendencies remains unparalleled" is an apt one, but it is surprising that Cyprus, which could head the list of examples cited, is not included.

Unwilling or unable to see any consistency in opposition to the use of force from whatever quarter, Kissinger charges his critics with inconsistency in their demands for opposition first to Greece, then to Turkey. At the time, however, it was Kissinger himself who appeared inconsistent by tilting toward Greece first, then toward Turkey, condoning their use of force, and misuse of U.S. arms, against a small westward-leaning neutral government. The result was the still-unresolved damage to the southeastern flank of NATO.

ANNE M. RICE
Great Falls, Virginia

Diplomats Do Some Work

It will not surprise you that a foreign service officer (ICA) takes issue with some of Joseph Nocera's comments in "On Political Books" in the May *Washington Monthly*. Of course, I recognize, sometimes with pain and sometimes with amusement, that there is much in what he says. But I can't agree that the only function of an embassy is to gather useful information. Our embassies carry on a good portion of our country's daily business with the rest of the world. That includes trying to persuade a government to award a major contract to a U.S. company rather than a competitor; seeking a fair trial for U.S. prisoners in jail; promoting U.S. exports and local U.S. businesses; working out the details of economic and security assistance that might keep a wavering government on our side; planning a presidential visit at which major agreements will be completed; working with local drug enforcement officials to nab a major trafficker or seize a major cache; selecting people for exchange visits who will expand the web of cooperative relationships; countering a media campaign against the U.S.

I have seen an American ambassador personally help forge a cease fire and truce agreement between two countries friendly to the U.S. engaged in a border war; I have seen an ambassador's tireless prodding and diplomatic skill result in the saving of hundreds of thousands of refugee lives in Southeast Asia. Good relations with other countries do not result solely from goodwill gestures and VIP visits from Washington. They must be nurtured with substantive deeds on a daily basis.

WILLIAM R. LENDERKING JR.
Lima, Peru

Lyndon's Blindspot

In his efforts to describe Lyndon Johnson's early achievement in bringing the right to vote to blacks in the South ["The True Dawn of Civil Rights," May], George Reedy ignores Johnson's blindspot towards the voting abuses against blacks and Mexican Americans in his home state of Texas. Reedy writes: "Johnson was less cynical. Texas was not Georgia."

In the matter of voting rights, Texas was and still is, in many respects, Georgia. Sociologist Charles Cotrell put it very succinctly in a 1980 study: "Texas yields to no state in the area of voting rights violations." Many landmark Supreme Court decisions in voting rights have arisen from Texas statutes which boldly and blatantly sought to restrict minority participation in the political process. A combination of poll taxes, all-white primaries, multi-member and at-large legislative districts, denial of bilingual voting assistance to non-English-speaking U.S. citizens, and the physical and economic intimidation of minority citizens has distinguished the state's history. Yet when Congress passed the Voting Rights Act of 1965, its most stringent provisions extended only to the Louisiana-Texas border. It was not until 1975 that blacks and Mexican Americans in Texas were given the protections that Johnson had established for Southern blacks in 1965.

ELIZABETH BENEDICT
Washington, D.C.

Maligning Mencken

I relished Alex Heard's "The Age of the Artful Put-Down" and I agree with his thesis. So I hope he won't mind if I try to take the bloom off his prettiest example.

I don't see how H.L. Mencken could be faulted, in his essay "The Sahara of the Bozart," for ignoring the eminent southern writers whom Mr. Heard lists. My reason is simple: they hadn't published a book among them when Mencken was composing his essay. And even by the time he revised it, several years later, only one of them had issued a volume. That was John Crowe Ransom and he later thought so little of the volume, called *Poems About God*, that he never preserved any of its contents. I suspect that one thing that makes Mencken's best writing survive is that his most roaring rhetoric has an undertone of fact.

CARL BODE
College Park, Maryland

The author replies:

I'll stick with the example. Mencken called the South a cultural desert, which implies not just a lack of growth but the impossibility of growth in the future, a predic-

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tion that—from his eastern perspective—he probably felt confident in (snidely) making.

Late-Sleeping Press

Tina Rosenberg's piece on the Moral Majority [May] will be used in the next journalism class I teach as an example of how not to let facts get in the way when you are dedicated to reaching a pre-determined conclusion. Not only is the piece inaccurate (I told her we have roughly 400,000 monthly contributors, but two million contribute on an occasional basis and/or subscribe to our newspaper and could be considered members), I also told her we have many others who write us and are in sympathy with the stands we take.

The press did not make the New Right or Moral Majority. Neither will it break us. We have our own ways of communicating with people whose confidence in the press ranks close to their confidence in the trustworthiness of used car dealers.

I remember when I was with NBC News we created many liberal celebrities who really did not have a following (Stokely Carmichael comes to mind). If you think that's what you've done with Jerry Falwell, then time will prove you right. If you're wrong, you can cease your coverage and the impact will not be reduced.

CAL THOMAS
Washington, D.C.

Mr. Thomas is vice president for communications of Moral Majority, Inc.

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Freeze Framed

By the time I reached the third column of "Tilting at Windmills" [May], I was indeed ready to "throw the magazine down in disgust." True enough that the anti-nuclear debate has, of late, become coffee-table tabloid vogue and the pet cause of assorted populist factions. True again that there are obvious and dangerous shortcomings in our defense capabilities. But I resent and take issue with your assertion that the "mono-maniacal" disposition of those who now urge the disarmament question onto the laps of our nation's opinion leaders is a negative, counter-productive phenomenon. If it is the fervency with which some of us approach this issue that disturbs you, then, I feel, you do not understand the magnitude of the problem. Have you already forgotten Secretary of State Haig's all-too-recent references to "winnable nuclear war"? The fact that this attitude may still pervade the thinking of some of those disposed to tip the levers of power one way or another is altogether frightening. As Karl Hess is known for saying, "Extremism in the defense of liberty is not vice; moderation in pursuit of justice is not virtue."

SUSAN A. CORBETT
New York, New York

I am shocked and amazed at your endorsement of the current cliche that "the most likely route to disarmament is negotiating from strength." During the years following World War II until this decade we have been far, far ahead of the USSR in nuclear weaponry and yet there have been no notable disarmament negotiations or treaties. Successful negotiations will occur when both parties realize that it is in their self-interest to negotiate. We already have an adequate deterrent; enough to wipe Russia off the face of the earth. Nor are we behind in conventional forces. Increasing our strength will stimulate another round of the arms race, not negotiations.

F.W. GOODRICH, JR.
Southway, Connecticut

See "Tilting at Windmills" for the editor's reply.

Spreading the Gospel

"The Difference One Man Can Make" by James Fallows [May 1982] should be widely read. It is an inspiring article. Your informative magazine is not getting around enough. Please let me know how I can help.

WILLIAM J. KERSEY
Inverness, Florida

The editor replies:

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Published monthly except combined July August issue by The Washington Monthly Company, 2712 Ontario Road, N.W., Washington, D.C. 20009, (202) 462-0128.

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ISSN 0043-0633.

Subscription rates: U.S. and possessions: one year, $22; two years, $39; three years, $52. Additional charges per year, foreign subscriptions: Canada, $3; other, $25 air mail, $3 surface mail. Back issues, $3. Send all remittances and correspondence concerning subscriptions, undelivered copies, and changes of address to 2712 Ontario Road, N.W., Washington, D.C. 20009. For changes of address, please provide four weeks' advance notice and return old address label.

The Washington Monthly is indexed in the Book Review Index, Public Affairs Information Service, the Reader's Guide to Periodical Literature, the Social Science Index, and Ulrich's International Periodicals Directory, and may be obtained on microfilm from University Microfilms International, Ann Arbor, MI 48106.

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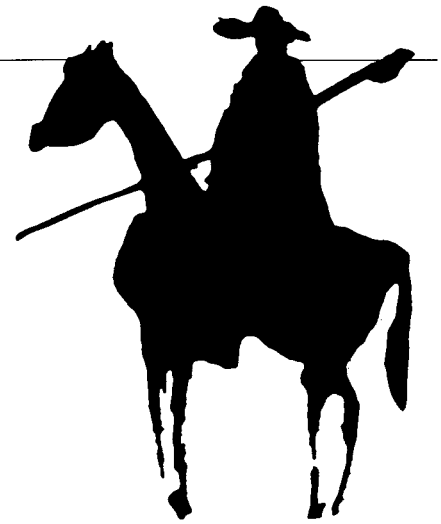
Tilting at Windmills



Not long ago I was talking to Randall Rothenberg, the author of *Esquire*'s recent article on the neo-liberals, and while he generally continues to be an admirer of the neo-liberal politicians he wrote about, he made one critical observation that I found myself agreeing with. "They're too cool," he said. "They seem to feel it's an error of taste to be passionate about anything." I think this is a problem of almost everyone who has grown up in the television age. They know William Jennings Bryan might have fired them up in those old-time tent meetings, but he would seem ridiculous being interviewed by Dick Cavett. The unfortunate impact of all this, I suspect, is that the cool style is affecting substance, or at least the depth of commitment to substantive issues. If it's not cool to appear passionate about anything, it's not cool to *be* passionate about anything. . . .

One of the few worthy initiatives launched by the Reagan administration has been an effort to levy user fees on those who benefit from the services of the Coast Guard. Last year the proposal was greeted by an enormous outcry from the boat-owners' lobby and it sank almost immediately. This year the administration has offered to exempt owners of boats under 20 feet and charge those with boats of 20 to 26 feet only $25. The result: the bill didn't last through one day of House hearings. Not one congressman was willing to carry the ball for the administration.

Richard Schwartz, executive director of the Boat Owners' Association, gave this explanation to *The Washington Post*: "There are 60 million of us on the waterways out there. That's more than one quarter of the population of the United States." It's also an outrageous exaggeration. Still, there probably really are around ten million boat owners out there. And, because a large percentage of them are well-heeled, they, like the private plane owners, have a lot of influence in Congress. . . .

It seems obvious to me that we have failed to make ourselves clear (see "Letters") to a large number of people who are deeply concerned about the danger of nuclear war. Since we respect them and their concern—indeed, we share it—I will make another attempt to explain our position, praying for the indulgence of those who are growing weary of seeing the matter discussed in this column.

First, we support a freeze on nuclear weapons. Second, we oppose any attempt to give the United States the ability to launch a first strike. Third, until there is nuclear disarmament, this country must maintain its ability to launch a devastating retaliatory attack in order to deter those who might otherwise be tempted to launch a first strike against us. This is why we at the *Monthly* may often seem to verge on lunacy in our advocacy of lots of small submarines—we want to be sure we have a deterrent that is sufficiently undetectable so that an enemy would *know* a large part of it would survive a first strike.

Our concern with the present nuclear movement is two-fold.

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First, that by concentrating on the freeze, the movement will think victory on that issue means the whole ballgame has been won and it can go home, just as it did after the nuclear test ban was achieved in 1963. Because, as we have pointed out in recent issues, the genie is out of the bottle and a lot of countries already have nuclear weapons or the capacity to build them, and because bad guys like Kaddafi, Amin, Hitler, and Stalin do come to power from time to time, our vigilance on this issue can never be relaxed. We may have to face some very hard choices about the use of force to destroy nuclear capability when it's in dangerous hands, choices people in peace movements have a lamentable tendency to not want to face until it's too late, choices that—as I tried to point out in the case of Cord Meyer—could contain the seeds of our own moral destruction.

My second concern is the monomania of the peace movement. I don't mind demonstrators outside the United Nations. But I would also like to see them outside Paul Volcker's office. I would like to see these concerned citizens at school board meetings fighting to rescue their own children—and, most of all, the children of the poor—from the hands of third-rate teachers. I would like to see them concerned about non-nuclear defense issues. Which conventional weapons do we really need? Which are a waste of money? I think the only possible salvation for this republic is a citizenry that is determined to inform itself on a broad range of important issues—that will vote for an elected official on the basis, not of his stand on one issue, but on how wise he is on all the issues. The only way we are going to destroy the escalating and evil power of the lobbies is to destroy single-issue politics. We now have a Congress that is petrified of offending any passionate group—even private boat owners—and that won't change until congressmen know that we're not going to throw them out of office on any basis but overall performance.

Today everyone is imitating the National Rifle Association. After all, that's the way to have a successful lobby. It's also the way to ruin America.

The Department of Health and Human Services, according to a recent story in *The New York Times*, has drafted regulations that would permit states to curtail or eliminate important benefits of a preventive health program for children:

"Under the program as it is now, doctors and nurses examine more than two million needy children each year to determine whether they have vision, hearing, dental, or other health problems such as poor nutrition, birth defects, learning disabilities or chronic illness.

"States are required to treat children for health problems discovered through the screening even if such treatment is not available to adults under the state Medicaid program. Federal rules now specify what testing and diagnostic services and what treatments, including immunizations, must be provided by state Medicaid agencies. The latest proposals developed by the Department of Health and Human Services would eliminate the list of required services."

State officials are already under pressure to control Medicaid costs and the new rules seem likely to encourage them to save money by reducing benefits to children. The rules would give these state officials "the flexibility" to design whatever screening standards they think would best meet the needs of the children of their states. But the health needs of children in every state are basically the same. There should be uniform national standards for their immunizations and examinations. States, given flexibility in the provision of their services, tend to reduce the service unless there is a powerful lobby within the state, which the poor seldom have, demanding that it be maintained. The reason is that states compete with other states by offering lower taxes. Sometimes that motive can lead to less government spending where less government spending makes sense. But when the health of children is concerned, less government spending makes no sense at all. . . .

I have a new heroine. She is Kathy Whitmire, who, as mayor of Houston, is leading a drive against a Texas state law, known as 1269 M, that minimizes the consideration of job performance in promotions within local police and fire departments. Mayor Whitmire thinks how well you do on the job is a better test of whether you should advance in rank than the standards emphasized by the state law—seniority and test scores. The reaction of the local civil service unions: "We'll fight the mayor down to our last dollar."

If you wonder whether the American navy's ships have the

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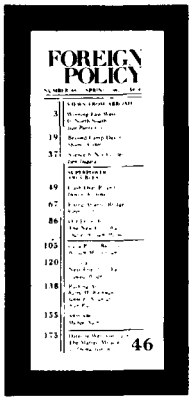

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same aluminum superstructure that displayed such an unhappy tendency to melt when the British ships in the Falklands caught fire, the answer is that most of them do. According to Bruce Ingersoll of *The Chicago Sun Times:*

"U.S. naval architects, in trying to cram radar, guided missiles, and 'computerized combat information centers' aboard ships, found they had a problem with top-heaviness. This left them with two options: build a bigger hull to carry the added weight of modern technology or build a lighter superstructure. They opted for the latter, primarily because it was the cheaper way to go. By using aluminum instead of steel, they were able to reduce superstructure weight by five percent. They also managed to cut construction costs by two percent. Lost in this trade-off, however, was a lot of survivability.

"One analyst likens today's warships to eggshells. Most were designed in peacetime, and if war were to break out tomorrow, they would be vulnerable to the 'cheap kill.' Retired Rear Admiral Julian S. Lake defines cheap kill as the 'loss of mission capability due to light damage.'

"In 1975, the U.S. cruiser Belknap collided with the aircraft carrier John F. Kennedy in the Mediterranean and caught fire. 'The Belknap burned to the gunnels,' said one analyst. 'Essentially, there was nothing left but a hollow hull. It took more than four years to reconstruct it.' "

The navy is taking steps to insulate the aluminum but the program will take four or five years to complete, and no one knows how effective it will be. . . .

The May 29 issue of *The Economist* discussed another lesson of the Falklands:

"Although it was designed originally as a ground-attack aircraft, the Royal Navy Sea Harrier has exceeded all expectations in air-to-air combat, particularly against the Mirage-3, which is much faster. A number of Mirages have been shot down by Sea Harriers; according to British sources no Sea Harriers have been lost in air-to-air fighting. . . the Sea Harrier's exceptional maneuverability as shown in the Falklands fighting has established it as a formidable air combat fighter."

Why do you suppose the Pentagon has resisted the Harrier for years? The marines asked for it, but the admirals didn't want any plane that would diminish the need for large carriers—the Harrier doesn't need a big flight deck. Meanwhile the air force puts a higher premium on sheer speed than on maneuverability. . . .

What's true of policemen and firemen in Houston is true of the mechanics who service Washington's Metrobuses. They are promoted on the basis of a written test, rather than on performance. The result, according to one supervisor quoted by *The Washington Post*: "You've got mechanics getting paid $12.53 an hour who can't tune an engine.". . .

The best thing that can happen to you is to be fired as president of the Washington Post Company. Mark Meagher, the most recent to depart, received a settlement of $537,587 down and $83,906 for each of the next 15 years. The next best thing is to be hired for the same job. The new president, Richard Simmons, will be paid $385,000 a year in salary and guaranteed annual bonus combined, according to Morton Mintz, one of the *Post*'s ablest investigative reporters, who disclosed these facts in a publication of the local newspaper guild. Even though this is $135,000 more than his previous employer paid him in 1980, the Post gave an additional $275,000 "to induce Mr. Simmons to accept employment," a $300,000 interest-free loan, moving expenses up to $80,000, a guarantee against loss on the sale of his home, again up to $80,000, stock of a market value when granted of $62,250, and options to buy other stock that could have produced a profit for him of $46,875 by December 30 . . . .

If you can't get hired to replace Mr. Simmons, you might take a look at the possibility of being a union official. Harold Friedman, of Cleveland, Ohio, demonstrates the rich possibility of such a position. In 1980, he was paid $428,803 for serving simultaneously as president of local 507 of the Teamsters Union and Local 19 of the Bakery, Confectionery, and Tobacco Workers. In 1981, 28 percent of the total dues collected by the latter union went to pay his salary, according to *Business Week* . . . .

I know there are those of you who feel I'm a bit churlish about the Japanese. But even you must be dismayed by the General Accounting Office's revelation that we are giving away our most advanced aviation technology to our fair-trading friends across the Pacific. "Instead of selling the Japanese the military aircraft they need," says Rep. Les Aspin in response to the report, "the Pentagon has licensed production of military planes

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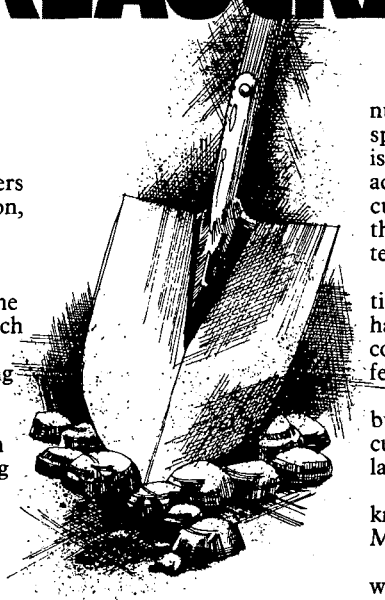
One of a series of messages in support of a brighter future for America.

DITCH DIGGERS IN THE BUREAUCRACY



Accomplishing the mission of a federal agency is like digging a ditch.

By analogy, ditch diggers perform the "program" function, directly contributing to completing the mission—that is, digging the ditch. Those who bring them shovels perform the "administrative" function which assists the program function.

If one person is digging the ditch and 10 are bringing shovels, then there is identifiable administrative waste. In fact, even if 10 dig and 5 bring shovels there is still administrative waste.

Obviously, the most efficient means to accomplish the mission of digging the ditch would be for the administrative people to help dig during periods when no one needs a new shovel.

The same is true with federal agencies.

Each agency has a mission. If it is determined that the mission is worthwhile and deserves to be accomplished, then a critical examination should be made of the program and administrative functions.

If the administrative side is top-heavy, like most federal agencies, something should be done to get those individuals down in the metaphorical ditch with the program people.

There is discussion now of cutting approximately 150,000 federal jobs by fiscal 1987. The problem is: the nuts and bolts decision of who specifically gets cut is an administrative one. Are we to assume administrative bureaucrats will cut their own jobs or jobs of those beneath them whose existence justifies their own?

This suggests an explanation why politicians historically have found it so difficult to control and pare the burgeoning federal bureaucracy.

The administrative bureaucrats cut—or threaten to cut—the programs first, particularly the most visible programs.

This phenomenon is known as "The Washington Monument Ploy."

That is, if the politicians want to cut the budget of the parks department, the bureaucrats react by threatening to close the Washington Monument to visitors.

What should be done is cut the administrative waste first. And get the administrative bureaucrats contributing directly to the accomplishment of the agency's mission.

In other words, get *them* digging the ditch.

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in Japan. That way we transfer to them the state of the art in aircraft technology. The Japanese are currently using our best high technology to build F-15s—the air force's premier fighter jet," Aspin continued. "But the Japanese are building more than F-15s, they are building up a whole new aircraft industry that intends to compete against the Americans in the 1980s for the $50-billion, short-range, narrow-body, 150-passenger civil transport market." . . .

One thing that, during the Falklands operation, distinguished the British armed forces from our own is that in the person of Prince Andrew there was at least symbolic involvement of the upper classes in the risks of war . . . .

One key to understanding why organizations grow fat is the slot syndrome. In the beginning a few people do practically everything that has to be done. They know everything there is to know about the organization, so that whenever they have some spare time they can pitch in and help their partners. As the organization grows beyond the capacity of these early few to handle its affairs, new employees are hired. "You know, we need someone fulltime in sales," or "we can't handle distribution with everything else we have to do, let's hire someone just to do that."

Before long a Director of Personnel is hired, who makes organization charts with little boxes for sales director, distribution director, etc. These are called slots. At first the people who fill the slots may be very busy. They may even need assistants who in turn will occupy slots called assistant sales director. But at some point in the history of the company the work load in these jobs usually diminishes. Perhaps the business stops growing, or the work of the company changes so most of it is done by other people in other departments. Or perhaps a clever fellow figures out how to do the distribution in the morning so that he is free to devote his afternoons to three-martini lunches, phone calls to friends, or a round of golf.

The result is that the slot no longer represents a full day's work. When a new distribution employee is hired to fill the slot, he quickly learns that he's getting a full salary that covers an awful lot of leisure time. If he feels guilty about this, he will begin to fill his days with busy work. In few organizations do the executives dare take off every afternoon for the golf course. But most executives in most large organizations do spend at least half their time involved in the golf substitute of the guilty—memoranda and meetings. All this happens because when an assistant distribution director leaves, no one asks if a full-time person is needed to replace him. It's a slot, and everyone tells his friends about this great job that's just opened up at Acme Widget. And if anyone dared suggest that it wasn't a full-time job, he could be sure that the distribution director would, on the assumption that his bureaucratic empire was being attacked, launch an immediate and vicious counterattack against the wretch who had made such a rude suggestion. So heads of bureaucratic units learn to conceal their suspicions about their fellow division directors, and since no one will cast the first stone, the organization continues to automatically fill slots without regard to the real work load. That helps explain the decline of the federal government and of most of our large corporations. . . .

I must hasten to reassure the readers who got the impression from my review of Alan Brinkley's new book that I was an unqualified admirer of Huey Long and Father Coughlin. Far from it. As a boy I hated them because they had become anti-Roosevelt by the time I first knew who they were, and that was, of course, the ultimate sin to me. In retrospect, while I still see evil in both men—a fascist strain in Long, an anti-semitic one in Coughlin—I do find much to admire in their fearless championing of the average man against a system that was then stacked against him from the cradle to the grave. . . .

Generally I applaud the trend away from tenure and toward short-term and part-time faculty appointments—the professors are kept on their toes and the students are exposed to a greater variety of viewpoints. But those who share my sentiments at California State University in Los Angeles may have gone too far in their ardor for the cause. The last man to get tenure in the university's Chicano studies department had his car fire-bombed. Others on the faculty who favor tenure have had their brakes cut, their tires slashed, and their cars set afire. While the part-time faculty denies any part in these events, it does appear, according to a study of the department conducted by the University of Texas, that the part-time teachers have an economic interest in

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discouraging full-time tenured faculty because their teaching opportunities would be reduced.

One of the part-timers said to the latest bombing victim, "You may have tenure, but you're not going to have peace." The victim told *The Los Angeles Times*, "I didn't know being a professor was such a high-risk occupation."

I must admit to taking a certain delight in the situation. Think how the history books have defamed the working class for resorting to violence when threatened by unemployment. Now look what the educated elite is doing. . . .

Occasionally, I should confess, there are stories in other publications that arouse in me similar fears of unemployment. It's when one of them does the kind of article *The Washington Monthly* specializes in that I'm torn between pride that they are at last seeing the light and apprehension that if too many see the light we won't be needed any more. The most recent example of the kind of story that inspires such conflicting feelings is one by Ted Gup that appeared in *The Washington Post* in June. His subject was congressional staff members and how they are lobbied. In itself, his selection of subject showed perceptiveness. Most of the media cover Congress by reporting its votes and quoting its leaders. Yet a survey of Washington lobbyists conducted a few years ago showed that their number-one target was not congressmen—nor for that matter, the White House or the cabinet—it was congressional staff, the people who tell the congressmen what to think and how to vote. Gup's story tells about one way the lobbyists gain access to the staff member. It is by giving him a trip.

"The trips," writes Gup, "provide interest groups with extended access to influential staff workers who advise committee members on tax matters that directly affect the sponsoring companies. They are legal as long as official business is discussed. Under House ethics rules, payment of meals, lodging, and travel is permitted in conjunction with 'fact-finding' trips as long as the activity bears 'a direct relationship to official duties.'

"John Sherman, press secretary to Ways and Means Chairman Rostenkowski, says the staffers' trips are information-gathering and a necessary and accepted part of life in the capital. 'Washington is a casual sort of "let's-have-lunch, let's-go-to-New Orleans" kind of town,' Sherman said. 'It's all done informally. There is a steady sort of nodding of heads here.' "

An example recounted by Gup began on July 16, 1980, with the temperature at the

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For more on the Land Story (at no obligation) write-

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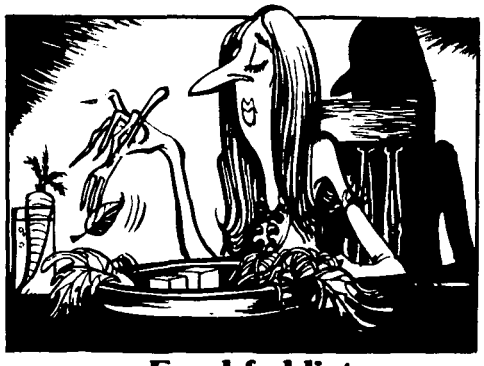
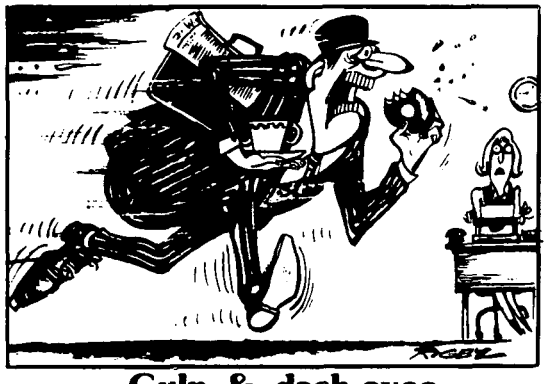
Sure a well-balanced diet is a key to good health, but...

what about the millions of food-faddists, daffy-dieters, junk-food kids and gulp-&-dash execs?

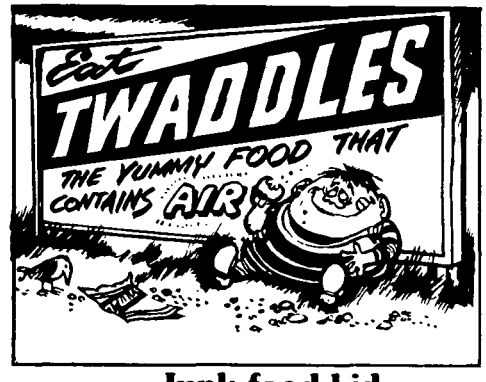


Food-faddist

Daffy-dieter



Gulp-& -dash exec.



Junk-food kid

Maybe they need the additional support of a balanced nutritional supplement.

For information on diet quackery vs. nutritional supplements, call or write:
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Capitol at a record 103 degrees: "Then Ways and Means senior staffer James Healey Jr., his wife, Susan, and their two young children escaped the heat at a casino-resort in Lake Tahoe, where the high for the day was 79." The five-day trip was arranged by a lobbyist and paid for by Harrah's, one of the largest casinos in the world. Hotel records show the bill came to more than $3,000: $1,134 for two rooms; $488.03 for meals; and $1,399 in air fare.

A measure pending in the Ways and Means Committee would have repealed the occupational tax on wagering. Healey told Gup, "I knew [the casinos] had legislation before the committee and Rostenkowski was on the committee. . . . I'm generally considered to be his senior employee. Everyone knows I'm close to Danny. . . . it's a safe assumption that everyone knows my connection with him and hopefully they could make their case better known to him through me. I think that's a very, very justifiable reason for having me or anybody else go out there.". . .

While the Reagan administration proposes to allow states to eliminate immunization and other programs needed for children, the Defense Department—according to Marian Wright Edelman of the Children's Defense Fund—is spending between $1.5 and $3 million annually on inoculations and other services for the pets of service families. . . .

Meanwhile, Robert P. Nimmo, the director of the Veterans' Administration, is finding other good uses for the money being taken from the children. He's spent $8,477 to install a bathroom in his private office, even though there already was a bathroom just ten yards from his door. He spent $3,000 to refinish the floors in his suite and then had them covered with carpet. But you can't say he isn't kind to children. Take the case of his daughter, Mary A. Nimmo. She has a job at the Department of Commerce, but she didn't like the furniture there. According to the Better Government Association, Daddy came to the rescue with a "loan" of $6,900-worth of VA furniture, including a blue couch and matching love seats. . . .

Hal Riedl's article beginning on page 44 is persuasive evidence of the need for radical change in our approach to crime. It seems to me that what we should do is concentrate on the violent, with the highest priority going to the repeat violent criminal. Overworked police and prosecutors and overcrowded courts need, as Riedl demonstrates, a clear sense of priority. The same need for priority applies to jails. Use them to protect the rest of us from the violent, sane or insane. Among the violent, a distinction should be made against the one-time, hot-blooded crime—committed, for example, in the heat of a family argument, which can usually be punished lightly because the crime is unlikely to be repeated and remorse is punishment enough—and the cold-blooded crime—violence or threats of violence by strangers, which must be rewarded with very harsh sentences. For cold-blooded crime I would suggest a minimum of ten years without parole for first offenders and a minimum of 20 years for repeaters, with five years tacked on in each case if a gun is used. There is an important merciful qualification to this tough approach. All but a handful of hard-core bad guys can be released when they reach their fifties. Very little violent crime is committed after that age. The other side of this coin, however, is the hardest fact for kind-hearted people to face. It is that the violent young are the most dangerous group—and this means the mercy we should extend to the teenage shoplifter must not be extended to the one who pulls a gun on you.

As for the non-violent, convict and first offender, I recommend early parole for the former and probation for the latter, the offer of which would preclude, in most cases, the need for court-clogging cases. But just because they may escape jail, doesn't mean they should escape punishment. The person who steals can be required to make restitution, just as the lawyer or public official who abuses his trust can be disbarred and denied the right to hold office again. And remember the idea for drunken drivers I wrote about a few months ago—take away their licenses for a substantial period and require that they work as volunteers in hospital emergency rooms on Saturday nights so that they will see the kind of harm people like them do.

Finally, in some jurisdictions, a judge is not allowed to consider the safety of the community or the safety of witnesses in setting bail. Not only should these factors be considered, they should be considered first, and bail should be denied to the clearly dangerous who might use their freedom to eliminate witnesses against them, to commit other crimes, or to flee.

—*Charles Peters*

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Trial

AND TRIBULATION

In a Baltimore courtroom, the punishment fit the crime— for once.

BY HAL RIEDL

Baltimore, December 3, 1981

A courtroom is as imposing and familiar as a church. There are the high ceilings, the judge's bench, central and aloof like an altar, the pews for spectators, the rail that sets off the well of the court like a chancel. The lawyers murmur and confer like priests at mass; the clerk and the bailiff and the stenographer and the judge's young law clerk attend with an acolyte's expressionless attention to ritual. Here life is meant to be made whole again through justice instead of grace. And like a church, a courtroom has its scoffers, embittered by the failure of their hope.

The defendant in the Baltimore case I followed is Johnny Jones, 37, black, striking: he has a dark beard carefully confined to his upper lip and chin and a completely shaved scalp. His street name is Ironhead. He wears a black imitation leather jacket over a gray sweatshirt. The police raided his home in February and turned up a number of guns and drugs. He has been in jail since April, when he was arrested in another case.

Yesterday Jones and his defense counsel made a bargain with the assistant state's attorney. There would be a trial without a jury. Both sides would agree to a statement of certain facts, so that their arguments would be confined to the legal consequences. The state would telescope a variety of charges down to the two most serious felonies: possession of LSD with intent to distribute, and possession of a shotgun without a serial number.

The prosecutor, John Prevas, presents the statement of fact. The neighbors reported Johnny Jones selling drugs out the back door of his house on East 22nd Street. Plainclothes police with a warrant staged an early morning raid. Jones "defended the door" with a .357 magnum revolver. A black narcotics agent named John Fisher snatched it out of his hand. The cops found a number of pistols and the shotgun, some marijuana, two dozen foil-wrapped orange pills known in the street as "bam," some LSD in the refrigerator, and $2,399 in cash.

The shotgun was not mentioned in the warrant. The defense counsel, Jerome Levine (pronounced Le-VINN), wants to

Hal Riedl is a Baltimore writer.

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know whether the shotgun and its missing serial number were "in plain view" when the police entered Jones's house. Judge Robert M. Bell agrees with his concern. If the police examined the shotgun or handled it in any way in order to discover the missing serial number, the weapon would be inadmissible evidence under contemporary interpretations of the Fourth Amendment. Prevas complains that Levine should not be permitted to raise questions about the shotgun after he has already accepted the facts of the case. In any event Prevas thinks the shotgun is a "related item" to the LSD—thus covered by the warrant—as it is reasonable to infer that drug dealers often have to defend themselves. There is some haggling while an attempt is made to find the shotgun, which is not in court. By the time it is produced, Judge Bell has resolved his doubts. He finds Jones guilty on the LSD charge, which calls for the longer sentence, and not guilty on the gun charge.

Judge Bell adjourns the court to give the lawyers time to fill out the sentencing guidelines matrix. Baltimore is using a set of guidelines meant to help a judge weigh the proper sentence for a convicted person according to a variety of factors: age, education, length and severity of prior criminal record, and so forth. The judges of the Supreme Bench agreed by majority vote to use the guidelines on an experimental basis. The guidelines are notorious in the state's attorney's office for their leniency.

Johnny Jones has nine prior convictions, among them burglary, assault by shooting, and a rape that was plea bargained down to an assault. For the LSD conviction John Prevas wants a sentence of five years, the maximum allowed by the statute. According to the sentencing guidelines, however, the conviction calls for only 6 to 18 months.

When the court reconvenes, Judge Bell, cool, careful, ambitious—he is only 38—gives Jones the maximum sentence under the guidelines and dates it from his jailing in April. The .357 magnum pointed at the chest of the narc, the guns, the drugs, and the long record of offenses add up to only ten more months in jail for Johnny Jones.

From the Prosecutor's File: the victim, Will Johnson.

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John Prevas is immediately on his way to another courtroom. He is not discouraged by the light sentence imposed on Johnny Jones. Even if Jones had been convicted on the charges that Prevas had dropped in exchange for the statement of facts, Judge Bell would have made the sentences concurrent, as he would have viewed the offenses as all part of the same "transaction." Eighteen months is the maximum that Jones would have gotten in any event. Because he has been convicted, the $2,399 seized from him in the raid is forfeited to the state. John Prevas says this "more than pays for the trial." There is some further consolation. Johnny Jones will be in court again next week—this time on a murder charge.

THE BEAUX ARTS courthouse built in 1900 may be in human terms the nearest thing in Baltimore to a medieval cathedral. Not that there is much here to delight the eye or inspire the will; the courthouse is mostly dim, long corridors done in brown and muddy cream, which are the colors repeated in a checkerboard pattern on the tile floors. If the building has anything to say to the human spirit, the message is futility. Still, there is a kind of social bazaar here, a bringing together of people from all walks of life.

John Prevas has watched with sadness and self-doubt as youths he has just convicted are led off in tears. There are too many Baltimore teenagers who are in serious trouble. He thinks there would be far fewer if they faced "swift and certain retribution" for their early misdeeds.

"These kids are *scared* when they get grabbed the first time at 13, but they stop getting scared when the cops have to turn 'em over to the intake counselor (who decides whether they will be handled informally, or sent to juvenile court, or charged as adults). 'Did you do it?' 'Yeah.' 'Okay. You go home and you be good and we won't do anything to you.' Then the kids say, 'Man, you know, like you know, I was a big hero and I wasn't scared or nothin'.' The next time the same thing happens they suddenly get to the point where they think this thing is a *joke*."

Prevas is not the flashier sort of lawyer. An agreeably overweight, agreeably overworked man of 35, he wears the sort of sober business suit that never quite goes out of style. He has black curly hair like a bust from the age of Pericles, a moustache that turns the corners of his mouth, and gold, wire-framed glasses.

"When a kid turns 18," Prevas continues, "he's not a juvenile anymore. Say he's been placed on probation eight times in juvenile court and he's probably been handled informally seven more times. He figures, man, I can do anything, no one's going to bother me. Then he gets indicted as an adult and he goes to criminal court and comes before a judge who has some street sense. They realize if a kid does one short stint in jail it's going to sour him on criminal activity—unless he's got that personality type where he's going to do it forever—and they give this kid a three-year sentence. The kid practically has a heart attack. Say some guy tries to make him his 'stuff' and he's five-five and he's getting homosexual advances and everything like that. By the time that kid gets paroled, he doesn't want to *hear* from that stuff anymore. He shies away from his peer group, he starts to get involved in other activities, and he gets out of it. He may confine himself to a lower level—lower risk—criminal activity, like he might stop being a burglar and become a gambler or something like that.

"But there's a real deterrent there. A lot of the kids are situational criminals. They're criminals because they get away with it a bunch of times and they think they'll always get away with it. They're not really mean or malicious or psychologically abnormal. They do it because their whole peer group does it, and you're a chump if you don't do it, and what's the percentage in not doing it when a bunch of stupid people 'talk' to you about it? The first time that force is met with force, these kids respond as pretty much anybody responds when they get tested."

December 10

SANDY KEMICK is handling the prosecution of Johnny Jones for murder. Prevas is offering her advice. It is an unusual case in that it involves a dying declaration from the victim. The police found Will Johnson dying of a gunshot wound in an alley. He told them, "Tony shot me. John and Jerry were with him," and expired. A dying declaration is one of the classic exceptions to the rule forbidding hearsay testimony.

Kemick is worried about two features of her case. First, the actual shot was fired by Tony Gross, not by Johnny Jones. Juries tend to look more leniently at the accomplice than at the man who actually pulls the trigger. Second, Wanda Holliday, the witness who is crucial to establishing the circumstances and the motive for the murder, is afraid. Tony Gross and Jerry Burnett (the latter is Jones's brother-in-law), have fled and are still at large. Wanda Holliday also doesn't want to testify that she once sold drugs for Johnny Jones.

Kemick, younger, less confident than John

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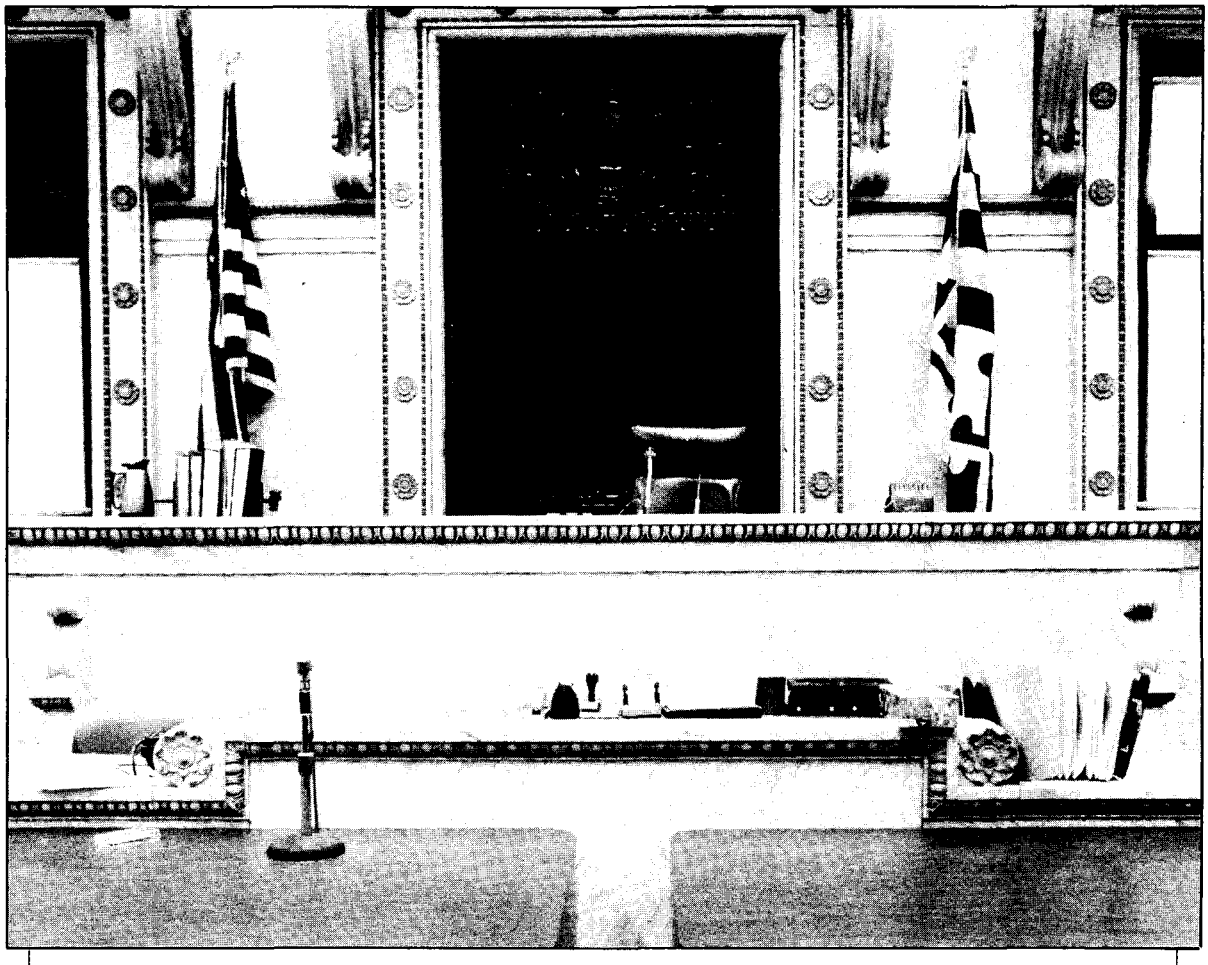

CHARLES J. HOOD

"Holding his side, Will Johnson was writhing on the pavement."

Prevas, only two years a prosecutor, asks his advice about how to use a chief witness who has been a drug addict and a dealer. When the witness takes the stand, he says, get the information about her yourself.

"She's all these things, but she hasn't lost all sense of decency. Have you made an opening statement yet?" Kemick hasn't. "Put it in your opening statement. Don't let the jury get it from the defense."

Kemick has found Johnny Jones's lawyer, Jerry Levine, difficult to deal with. Due to the press of prior cases on the overloaded docket, the Jones murder trial has been postponed several times. Maryland is subject to what is called the "Hicks rule," which was established by the Court of Appeals in a decision requiring that a criminal defendant be brought to trial within 180 days of his arraignment. Levine claimed other business earlier in the week, which put the case over onto the 181st day since Jones's arraignment in June. Kemick thinks Levine's delay may have been deliberate. John Prevas says, "Levine told me Wanda Holliday was nowhere to be found. I told him, 'Funny, she's calling my office every two hours.'"

The trial began on Tuesday afternoon, December 8. On Wednesday morning arguments were heard on Levine's motion to dismiss the charges under the Hicks rule. Judge Hammerman denied it. On Wednesday afternoon Levine moved to suppress the dying declaration. Judge Hammerman denied that. A jury was picked before the court adjourned for the day. But there is still more to be heard from Levine before the jury, waiting in another room, can begin to hear the evidence.

The murder trial resumes. Jerry Levine claims that the state has violated the rule that no witness in a criminal trial may listen to the testimony of another witness. (This is called the sequestration rule.) He says Kemick and her witnesses were standing in the corridor outside the courtroom.

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When Levine came down the corridor, he says, one of the police witnesses put his finger to his lips and said, "Sh-h-h." Levine wants a mistrial and wants to call witnesses to prove his point.

Judge Hammerman and Sandy Kemick try to dissuade him. Levine insists that the assistant state's attorney and the police were discussing the Jones case in front of Wanda Holliday—"schooling" the witness. Judge Hammerman suggests that they may have been talking about something other than the Jones case. "Then why did the cop say, 'Sh-h-h?'" asks Levine. Kemick says that she heard no one say "Sh-h-h," and that the discussion had to do with the police officer's having heard a dying declaration, a fairly rare phenomenon, in another case. Levine disputes her. Judge Hammerman regrets that "one officer of the court cannot accept the statements of another."

Levine now asks for a mistrial on the ground that the judge has accused him of something improper. Judge Hammerman carefully avoids concurring in Levine's self-characterizations.

"I see nothing wrong with your conduct of this case, Mr. Levine. I only regret that you cannot accept the statements of another officer of the court. I regret that you must say, 'I don't believe her, I want her under oath.'"

Judge Hammerman denies the motion-for-a-mistrial-within-a-motion-for-a-mistrial, but allows Levine to call witnesses to support the alleged violation of the sequestration rule.

Wanda Holliday is called first. Wanda says that she was sitting at one end of a bench, paying no attention to what Kemick and the cops were talking about. Levine asks her what she and Kemick might have been discussing. Kemick objects, Judge Hammerman sustains her. Levine complains that he doesn't have enough "latitude" to prove his point; Wanda Holliday is "feigning" ignorance. Judge Hammerman says that is an unfair statement. Levine takes formal exception to the sustention. Wanda denies hearing anyone say "Sh-h-h."

Levine calls the first of the police witnesses, a black detective named Gundy. He responds to Levine with a mocking truculence. Gundy says that Kemick "took me to the side" when they discussed the dying declaration, so that Wanda would not overhear them.

"I told Wanda, 'That's the defendant's attorney, so be quiet.'. . . I probably said, 'Sh-h-h, that's the defendant's attorney.'"

Next Levine calls the other cop, a white fellow named Holback. He corroborates Gundy's testimony, except that he did not hear any "Sh-h-h."

Now Levine calls Kemick herself, but Judge Hammerman adjourns the court, explaining that he has a luncheon meeting with other judges of the Supreme Bench.

JOHN PREVAS usually gets his lunch at the Court Square Restaurant at Calvert and Lexington, across from the Courthouse. It is a small place packed with courtroom denizens, buzzing with the sound of 30 simultaneous conversations. Prevas orders a cheeseburger with mayonnaise and a little horseradish. I remark that Jerry Levine reminds me of Irving Kanarek, the Charles Manson defense counsel depicted in Vincent Bugliosi's book, *Helter Skelter*, as a master of obfuscation and delay.

"We've got about 25 of 'em in this town," says John Prevas. "Can you see why the courts are clogged?"

Jerry Levine is a public defender. It occurs to me that the state pays him to perform the service of obstructing itself.

I ask, why is Levine making such a big deal over Kemick's corridor conversation with her witnesses? Was his pride offended when and if Gundy went "Sh-h-h," or is he trying to get Judge Hammerman to make a mistake that would be grounds for a new trial on appeal?

"His client doesn't want to be convicted, he doesn't want to lose," says John Prevas. So Levine digs in his heels. "He doesn't have a grasp of the case, so he flails around. He's afraid his client may attack his competence if he doesn't fight the state every step of the way, so he puts on a Clarence Darrow performance for Johnny Jones."

Won't this hurt him with Judge Hammerman, whose patience is being sorely tried?

"No, the judge has to take it," says Prevas. Levine's tactics aren't allowed to affect Judge Hammerman's rulings on the law.

But it is true that "any procedural error can upset the whole thing," Prevas goes on, because in the eyes of most courts of appeal "the state has to score 100 on every test."* As a result the appeals system is "overwhelmed with frivolity."

If a well-heeled defendant, like a drug entrepreneur, is convicted, he may stay out of jail for a year or two on an appeal bond. If his appeal fails,

*In January 1982 the Maryland Court of Appeals threw out a death sentence for Lawrence Johnson, convicted of a vicious rape and murder, because the jury, provided with a checklist of "mitigating circumstances" to help them weigh the defendant's punishment, forgot to take out their pencils and check off the mitigating circumstance that Johnson had never before been convicted of a crime of violence. Three of the justices wanted to give him a new trial on the merits.

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and he has managed to avoid arrest since the original conviction, his counsel then files for modification of his sentence. The basis is his period of freedom without further charges.

"You can play that system like a violin. You know the TV show 'M.A.S.H.'? Suppose the surgeons had to fill out forms in triplicate. The patients would bleed to death." American society is bleeding onto a stack of sentencing guidelines and mitigating circumstances checklists. "The criminal justice system doesn't protect society. All it is capable of doing is seeing that defendants' rights are protected."

JERRY LEVINE walks into Judge Hammerman's courtroom at 2:15 on the dot. Sandy Kemick takes the witness stand. John Prevas takes her place at the state's trial table. Judge Hammerman stations the bailiff outside the courtroom to keep the members of the jury from passing through the courtroom on their way back from lunch. Judge Hammerman doesn't want the jury to see the assistant state's attorney on the witness stand.

Slender, soft-spoken, Kemick is asked to speak up. She says she had two conversations that morning with her witnesses. She spoke in her office to Wanda Holliday with the white cop Holback present; Holback "was either asleep or not listening." Later in the corridor outside the courtroom she discussed the dying declaration with the black cop Gundy while Holback and Wanda sat out of earshot at the other end of the bench. She heard no "Sh-h-h." When her testimony is finished, she rejoins Prevas at the trial table.

Finally Levine puts himself on the stand. He is a short, broad-shouldered man who wears glasses and a brush moustache. Humorless, dour, he has the air of a querulous rabbit.

He says that once when he was leaving the courtroom during the morning he found Kemick, Holliday, Gundy, and Holback standing "very close together" in the corridor, and Gundy said, "Sh-h-h."

Jerry Levine is saying that "no great pains were being taken" by the state "to sequester the witnesses." Judge Hammerman denies the motion; he speaks in a sinus-drenched, precise, Rod Serling-ish tone:

"I see no merit at all in the defendant's position."

Judge Hammerman says he would like to "let the jury have something" today, as "the jury has been here all day only to be told to go to lunch." But there is time only to deal with one final pretrial proceeding, testimony from Gundy to support the admissibility into evidence of the dying declaration. The state must establish the presumption that the victim knew he was dying.

When the jury has left for the day, Gundy takes the stand. His morning truculence toward Levine is gone. Under Kemick's calm questioning he seems less certain, and he refers frequently to his notebook.

On the early morning of February 27 he responded to a radio call for assistance. Wanda Holliday had had some trouble with Johnny Jones and was worried about Will Johnson, with whom Jones was also angry. Gundy went with Wanda to Jones's house, but all the men who had been there were gone. As he was driving Wanda home the radio reported a man lying in an alley.

Will Johnson was writhing on the paving brick. He was so agitated that he kept striking his head on the hard surface. He was holding his left side. Gundy pulled up his shirt and discovered an apparent bullet wound. Will's vital signs were weak. Gundy told him he was dying. Will faintly nodded his head.

"Who shot you?" Gundy asked.

"Tony shot me. John and Jerry were with him."

Will passed out. Gundy began cardiopulmonary resuscitation. He had Wanda breathe into Will's mouth while he rhythmically pounded Will's heart with the heel of his hand. Will was pronounced dead at the scene by an ambulance team. He was the second person to die in Gundy's presence after accusing an assailant.

Levine's cross-examination is ineffective. Judge Hammerman rules that Gundy's testimony is admissible evidence.

December 11

JURIES scare lawyers, and John Prevas is no exception. No professional likes his work judged by laymen, and no group of laymen is more unpredictable than a jury. Waiting for a jury to return with its verdict is one of the few things that will drive Prevas to light up a cigarette. Like most prosecutors he feels that most juries have a natural sympathy with the defendant.

These impassive men and women are what John Prevas calls a "bobtail jury"—defense lawyers' rejects, selected at the end of the day from what was left of the pool. Baltimore defense lawyers prefer jurors who are young and black, who they feel are most likely to be skeptical of police testimony. This jury, oddly symmetrical, with three black men, three black women, three white men, and three white women, has only two members who fill the bill.

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They have at last begun to hear testimony in the murder trial of Johnny Jones. Wanda Holliday is the state's first witness. According to Sandy Kemick, when she began to examine Wanda this morning, Jerry Levine objected to every question. Judge Hammerman patiently overruled him. When Kemick repeated the questions, Levine objected. Judge Hammerman overruled him. When Kemick rephrased the questions, Levine objected. Kemick asked Judge Hammerman to restrain him, but the judge refused, again carefully avoiding any characterization of Levine's behavior. Somehow Kemick managed to get the flow of Wanda's testimony going; Levine suddenly made another unsustainable objection. Judge Hammerman finally admonished him. The jury heard all of Wanda's direct testimony before the lunch break. This afternoon Jerry Levine is about to cross-examine her.

Wanda is a black in her mid-twenties. She is dressed in faded jeans, a gray pullover with an over-sized, high neck like an Elizabethan collar, and a blue blazer.

"What was your relationship with Johnny Jones?" Levine asks her.

"I sold bam for him."

Wanda admits to having used bam and heroin. Levine refers to her as an "addict"; Kemick's objection is sustained. Levine asks her to take off her blazer, roll up her sleeves, and display her forearms to the jury. Kemick's objection is overruled.

Wanda says she was asked to leave Johnny Jones's house on February 13, when she was caught stealing a money order, but she denies Jones's further accusation that she took his TV set.

She says that she and Tony Gross went back to Jones's house for some bam at 4:30 a.m. on February 27. Will Johnson joined them on the way. Wanda went to the cellar to prepare the bam for injection. Jones came down the stairs and said, "Where's our shit?" accusing her and Will of taking his TV set. At one point he pushed her down the cellar steps, but she didn't fall. Jones went back to her house with her to look for the TV. They woke up her brother. Jones didn't find the TV and left. Wanda, afraid for Will, called the police. When they arrived she went back with them to Jones's house. Three women were there, Barbara, Theresa, and Jones's sister, Deborah Burnett; but Jones, Tony, Will, and Jerry Burnett were gone. As the police were driving Wanda home, it came over the radio that there was a man down in an alley.

Wanda gives Levine as good as she gets. "I don't understand your question," she says, and keeps forcing him to repeat it. He can't trap her into a contradiction. He confers with his client.

Just as Wanda is leaving the witness stand Levine remembers to ask about her conviction record. Kemick objects. There is a conference at the bench, out of the hearing of the jury. Levine restates his question. Wanda admits to a conviction for daytime housebreaking. The court recesses.

December 15

SANDY KEMICK is diffident, pale, a little tired. She has just lost a burglary case, the eleventh consecutive acquittal that various prosecutors have suffered in Judge Elsbeth Bothe's courtroom. Judge Bothe was for many years a public defender. Courthouse wags say that she still refers to the public defender's office in the first person.

Kemick has barely had time to notice her first successful murder prosecution. Johnny Jones was convicted yesterday. The jury went out at 1:15 Monday afternoon and came back at 4:30, with verdicts of guilty across the board: of the alternative counts of first- and second-degree murder, of the count of assault on Wanda, and of the count of using a handgun in the commission of a crime. There will now be a month-long pre-sentencing investigation. Kemick will ask for life imprisonment.

January 25

Johnny Jones is brought in for sentencing in Judge Hammerman's new courtroom.

Jerry Levine makes a four-part motion for a new trial, entirely on issues that have been dealt with earlier. Judge Hammerman denies the motion without comment. Levine takes exception to a phrase in the pre-sentencing report on Johnny Jones, namely, that "he shows hostility to everyone." Levine says that his relationship with his client has been a cordial one. Judge Hammerman asks him whether he means to infer that, because Jones shows no hostility to his attorney, he has none toward the public.

Johnny Jones, still coolly self-possessed, his hair grown out so that he is now horseshoe bald, has no statement to make.

"Mr. Jones," says Judge Hammerman, "I must agree with the assessment of the state's attorney. It was an execution-style murder."

He sentences Jones to life imprisonment for the murder of Will Johnson, to run concurrently with the LSD and assault convictions, plus 15 years consecutive for the handgun conviction.

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CHARLES J. HOOD

"Will's vital signs were weak. Gundy told him he was dying."

Jerry Levine plans an appeal based on the Hicks rule. He is also appealing the LSD conviction in the case prosecuted by John Prevas.

JOHN PREVAS lives in the old neighborhood, five blocks from where his grandfather, an immigrant from Sparta, settled in 1898. The New World has been good to the Prevas family: his father and a brother are also lawyers, another brother is a doctor.

The house is indistinguishable from the others in the block. It is a narrow row house with a formstone facade. You walk straight back through the living room to a den to the kitchen. The bedrooms are upstairs, via a tiny staircase with a steep twist midway.

Prevas sits in the living room, which, with its matched armchairs and loveseat, strikes a somewhat formal note, and reflects on his professional life. The Founding Fathers with their distrust of authority wanted "a disruptive system," says Prevas. He sees American criminal procedure as a system of "planned disorder," with roots in the Federalist Papers.

The U.S. Supreme Court under Chief Justice Earl Warren created "a procedural obstacle course" for police and prosecutors. The Warren Court had two ideas about crime: that criminal procedure was routinely manipulated to oppress blacks and other politically unpopular groups, which it was; and that crime was an uncommon occurrence in America, which it was not. Together these ideas produced a revolution in the pains taken to protect the accused and the convicted. What was meant to mitigate brutality and unfairness has opened the door to a new kind of injustice.

The quest for perfect justice has combined with the notion, common among public defenders and appeals court judges, that society is more to blame for producing the criminal than the criminal is for committing the crime. Not only does an

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accused enjoy the presumption of innocence, but also the presumption that the entire system of arrest, trial, and punishment is guilty. As John Prevas sees it, "A whole lot of rights make one big wrong." We've forgotten that "we're not here to satisfy a guy that he's being fairly convicted."

As deputy director of a unit that handles a great many drug conspiracy prosecutions, Prevas's especial cross to bear is the exclusionary rule, which forbids the use of evidence that has been "unconstitutionally" obtained. In the 20-odd years since the U.S. Supreme Court applied the exclusionary rule to the states in the case of *Mapp v. Ohio*, there has grown up a dense thicket of case law as to what is and what is not a constitutional search and seizure. It is a thicket in which many a drug entrepreneur, caught redhanded with the contraband, has successfully hidden behind a police mistake. Courts have indulged such extraordinarily labored interpretations of the exclusionary rule that Prevas is routinely forced into arguments like the following:

"If the court finds that the flap of the pocketbook was open, there is no Fourth Amendment question, as the defendant had no reasonable expectation of privacy. But if the court finds that the flap was closed, the reasonable expectation of privacy is defeated by the fact that the police had probable cause to arrest her, having just been told by an informant that she had 300 Quaaludes in her pocketbook."

The courts have all but forgotten Judge Cardozo's fear, in an old New York Court of Appeals case, that "the criminal is to go free because the police have blundered." Their everyday antics frustrate justice and cast a dangerous cloud, in the indignant public imagination, over the more substantial rights of defendants.

With the huge number of crimes committed, with December trials for February offenses, with the system swamped past all capacity, "there's real, real resistance to our doing anything other than *disposing* of the defendant in some fashion and getting out of there. . . .

"Each incident has victims, has people who worry about it, and that means you've got to give people their day in court. Days in court, especially for the victim, are a luxury that most of the people in the system don't want us to be able to afford. They want us to lump all these cases together and work out deals, and there's incredible pressure to do that. That's the expectation of defense attorneys, that's what you get from the judges either by moral suasion or immoral suasion, like, 'You're a shmuck if you're gonna do this now, why don't you take the deal the public defender wants and get the hell out of here. You're really, you know, messing up the system.' "

If the courts were less choked, "I would offer fewer pleas because I find myself backing one case into another many times, and as a result of the heavy load that I have, lots of times I'll plead cases guilty to what I think the traffic will bear rather than what I feel the defendant deserves in order to get out from under. I operate with two standards. The one standard is what basically is being done in the system: what kind of sentence judges will give, what kinds of sentences or counts in indictments the police officers have gotten accustomed to getting, and what the defense attorney wants, (although I never give them what they want, unless they're right). That's the standard that I operate on under duress. When I'm not under duress, when I have only one case to worry about all week, I operate under the standard that *I'm* more comfortable with, which is objectively what I as a prosecutor should be doing to protect society."

"The purpose of the penal system is to incapacitate," Prevas concludes. The violent criminal has "put himself in jail"—so society has no reason to feel guilty.

ON CLOSER inspection a courtroom is less like a church than like a theater—a stage where our contradictory ideas of human nature dramatically collide, with results satisfactory to no one. The American system tries to take the notion that fierce partisanship will yield up the truth and blend it with a concern for the public safety, with a terror of convicting the innocent, with a sense that you should reap what you have sown, with a love of mercy, with the evangelical idea of individual regeneration.

It hardly needs to be said that the blending doesn't work as well as it should. For every John Prevas, there are a lot of Jerry Levines making sure that, in the name of "advocacy," the public safety part of the equation can be set aside, even when no doubt of guilt remains. In the Johnny Jones case, justice prevailed, but not without a lot of the silly arguments and delays that in so many other cases result in short sentences (or outright acquittals) and eventually with more victims.

As I walked out of Judge Hammerman's courtroom for the last time, I realized how glad I was about the sentence, and how much I hoped that in other American courtrooms the Johnny Joneses would be sent where they deserve to go—to jail. It was, finally, a thought more comforting than I might have anticipated, and one I came to, thankfully, without the abstractions and rationalizations that threaten the lives of us all. ■

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Cost Overruns Plague Pentagon Weapons System

By Gregg Easterbrook
Special to TWM

WASHINGTON—Breakdown, delays, and cost overruns continue to plague the Pentagon's controversial new__(1)__weapons system.

Originally conceived many years ago, the system promised to be more sophisticated and far more__(2)__than existing weapons. As the Secretary of Defense told Congress when requesting initial funding, "This advanced program will provide enhanced multirole capabilities to help meet the ominous__(3)__threat facing our nation."

Military sources maintained that the new system was vital to respond to Soviet development of__(4)__. Lending urgency to the program, satellite reconnaissance photos were said to provide evidence of alarming__(5)__.

Numerous problems, however, stand in the way of production. Unit costs have increased drastically, from the original estimate of $___,___, to the present $___,___,___,___. This means that very few of the weapons can be bought—so few, in fact, that each one will be__(6)__. Pentagon generals also have added progressingly more complex features to the system, features such as__(7)__, further escalating costs, and reducing reliability.

Tests of prototypes have indicated far less performance than was envisioned. For instance results show that the weapon's__(8)__, which was supposed to__(9)__, instead can barely __(10)__. The Joint Chiefs of Staff, deeply concerned by these reports, have taken rapid steps to__(11)__.

Critics persist in contending that a simpler, more reliable weapon could perform the same task more effectively. But recently appointed Secretary of Defense__(12)__, who inherited the unbuilt weapons from his predecessors, counters that "it is hopelessly naive to think that__(13)__could be of any use against sophisticated modern__(14)__."

Last month a General Accounting Office study revealed that the system has grown so complex it requires its own__(15)__, and must be accompanied at all times by__(16)__. Still one of the Joint Chiefs praised it as "a magnificent machine, a triumph of technology" shortly before resigning to take a job as vice president of__(17)__, prime contractor for the project.

Informed Capitol Hill sources predict that, in a face-saving effort, Congress will vote to begin limited production of the system, but ship all units directly to__(18)__. The White House should go along with this plan, sources say, because public attention has been shifting to the Pentagon's request for a bold new weapons system—the highly advanced__(19)__, which military officials claim will revolutionize warfare by__(20)__. Breakdowns, delays and cost overruns, however, continue to plague__(19)__development. (NOTE TO EDITORS: PICK UP FIRST GRAF AND REPEAT STORY.)

All Purpose Defense Story Answers

(1) Dachshund nose-guided smart bomb
Chickadee tree-launched cruise missile
Pterodactyl presonic glide bomber

(2) profitable to build
difficult to pronounce
difficult to justify

(3) Soviet
Democratic
Republican

(4) warp drive
phasers
transporter beams

(5) Russian strategic buildups
low Dow Jones industrials
falling presidential popularity ratings

(6) signed by its designer
based in a museum
named after a state

(7) factory air
remote tuning
call waiting

(8) guidance system
warhead
armor

(9) home in on vodka
destroy tanks before they can be built
deflect even foul language

(10) hit the floor when dropped
shatter an illusion
keep out rain

(11) increase the budget
cancel the tests
fire the whistleblowers

(12) Edward Teller
Lee Iacocca
George Allen

(13) guns that actually shoot
tanks that actually run
planes that actually fly

(14) lobbying techniques
mailing lists
PAC contributions

(15) tracking stations
sewage system
Zip code

(16) MIT's engineering faculty
Wharton's financial faculty
Hill & Knowlton's Washington office

(17) Atari
Mattell
Hasbro

(18) the National Guard
the National Park Service
the Boy Scouts of America

(19) Goldfinch wheat-seeking missile
Salamander stealth tank
NERF bomb

(20) eating Soviet grain supplies
driving into the Kremlin parking lot undetected
destroying buildings without damaging furniture

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THE GREAT TRAIN ROBBERY

HOW TO MAKE A BILLION FROM A BANKRUPT RAILROAD

BY PHIL KEISLING

On May 20, 1982, the Penn Central Corporation held its annual shareholders' meeting at New York City's posh Plaza Hotel. A casual observer happening upon the scene would have found nothing especially strange about the assemblage of well-heeled investors. Nor was there anything particularly unusual about the company's 1981 annual report, the one with the color photographs of an oil drilling platform and a satellite receiving dish gracing its cover.

A brief foray through the pages of the report revealed a company whose largest division manufactured not only drilling platforms, but heavy earth moving equipment as well. Its telecommunications and electronics subsidiary produced everything from pacemakers to space shuttle components. Another piece of the Penn Central empire owned a string of health spas, golf courses, and large resorts, including Florida's Boca Raton convention center ("Home of the Annual Pepsi Grand Slam Tennis Tournament"). And there was much, much more: a 3,600 mile pipeline system; coal properties holding an estimated 84 million tons; 63,000 acres of prime real estate. The Penn Central Corporation seemed to have its fingers in everything. But then, didn't just about every big company these days?

And yet. . . and yet something was missing. There had once been a time when the name "Penn Central" conjured up other images altogether—images as vivid as green and bright-red boxcars and the plaintive wails of far-off locomotives. But the corporation's annual report betrayed none of that legacy. In fact, save for a few easily missed lines buried in the opening text and a footnote to the company's financial statement, the report offered no clues to a simple—yet suddenly vexing—question.

Where the hell had the railroad gone?

●

Where indeed. Amid the integrated circuitry and well-manicured putting greens that define the modern Penn Central Corporation one will search in vain for a locomotive, a freight car, or a railroad tie. Yet in February 1968, when the long awaited merger of the Pennsy and the New York Central Railroad finally was consummated, the Penn Central was the largest privately owned railroad in the world. It boasted 100,000 employees, 30,000 miles of track, and a transportation empire that stretched from Illinois to West Virgi-

Phil Keisling is an editor of The Washington Monthly.

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nia to Massachusetts. Each year it carried more than 250 million tons of automobiles, steel, coal, chemicals, and other commodities. More than a mover of freight, the Penn Central's tracks served as the economic jugular vein for thousands of businesses and communities in the northeastern quadrant of the United States.

A scant 28 months later, hemorraging cash at the rate of $1 million a day, the Penn Central achieved a more dubious honor as the largest corporate bankruptcy in US history. Three years after its June 21, 1970 collapse, Congress assumed responsibility for the railroad's vast freight operations, ultimately turning them over to a government-owned corporation known as ConRail. (The Penn Central's much smaller passenger system was acquired in 1971 by Amtrak). In 1981 the government paid the new Penn Central Corporation an eye-popping $2.1 billion for the defunct railroad's assets. After paying off its creditors, the company had nearly $500 million left over.

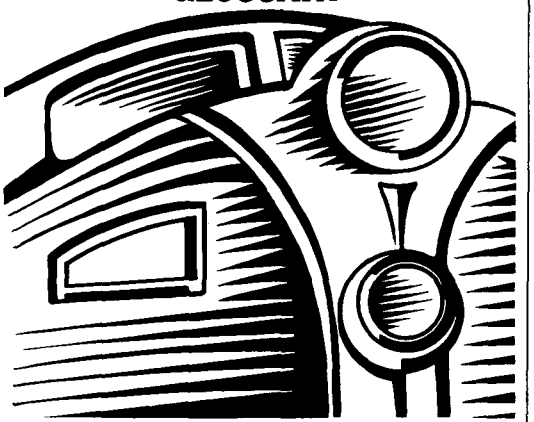
Like an expert surgeon severing a gangrene-infested limb, the government rid Penn Central of a railroad whose annual losses exceeded $300 million. The patient not only survived the operation, it's never been healthier.

The annual meeting provided ample evidence of that health, from the reams of statistics presented—sales up this year 66 per cent to $3.3 billion; income up 72 per cent to $290 million—to the anecdotes told over cocktails. Many talked about the company's stock, which had split 3 for 2 that January. Those prescient enough to make a $100,000 investment two years before were now sitting atop a $300,000 nest egg. Some investors had been even bolder—and better rewarded. Ten years before speculators could buy $1,000 Penn Central bonds for as little as $20 from nervous holders who didn't believe the company would ever emerge from bankruptcy. The government settlement made those bonds redeemable in full; many who kept their faith in Penn Central, or simply feigned it, became overnight millionaires.

By all indications, there are countless fortunes yet to be made. Four years ago the Penn Central Corporation wasn't even on the chart; today it's number 123 on *Fortune*'s famous list. If its growth continues at the present pace, by 1987 the company's assets will exceed those of its huge railroading predecessor at the time of its fall. Chief executive officer Richard Dicker drolly summed up the company's future for the shareholders: "We look forward to another record year in 1982."

Not to mention another tax-free year. Despite over $600 million in profits since 1978, the com-

GLOSSARY



Corporate bankruptcies are complicated enough without so many of the players having similar names. Here's a handy list for quick reference in case things get too confusing:

The Pennsy. Created in 1879, the Pennsy—also known as the Pennsylvania Railroad—disappeared in 1968 when it merged with the New York Central Railroad to form the Penn Central.

The Penn Central. This product of the aforementioned merger went bankrupt in June 1970. To be more precise, the railroad's owner, a legal entity known as the Penn Central Transportation Corporation, went bankrupt.

The Pennsylvania Company. This wholly owned subsidiary of the old Pennsy was the repository for most of that railroad's non-railroad assets, including an oil pipeline, some Florida real estate, and several amusement parks. After the merger it became part of the PCTC and not only survived the bankruptcy but prospered. In 1978 it became part of the Penn Central Corporation.

The Penn Central Corporation. Here we come to the end of the line. This company was created in 1978 as part of a reorganization plan to repay the defunct railroad's creditors. The company accordingly received the $2.1 billion the government paid in 1981 for the Penn Central's railroad. One of the nation's fastest growing companies, the Penn Central Corporation now has nothing to do with railroads.

ConRail. Most of the Penn Central railroad—that is, its tracks, locomotives, and freight cars—was conveyed to ConRail, created in 1976. Though ConRail technically is a private corporation, all its stock is owned by the U.S. government. Next year the government plans to sell its stock and return the railroad to private ownership.

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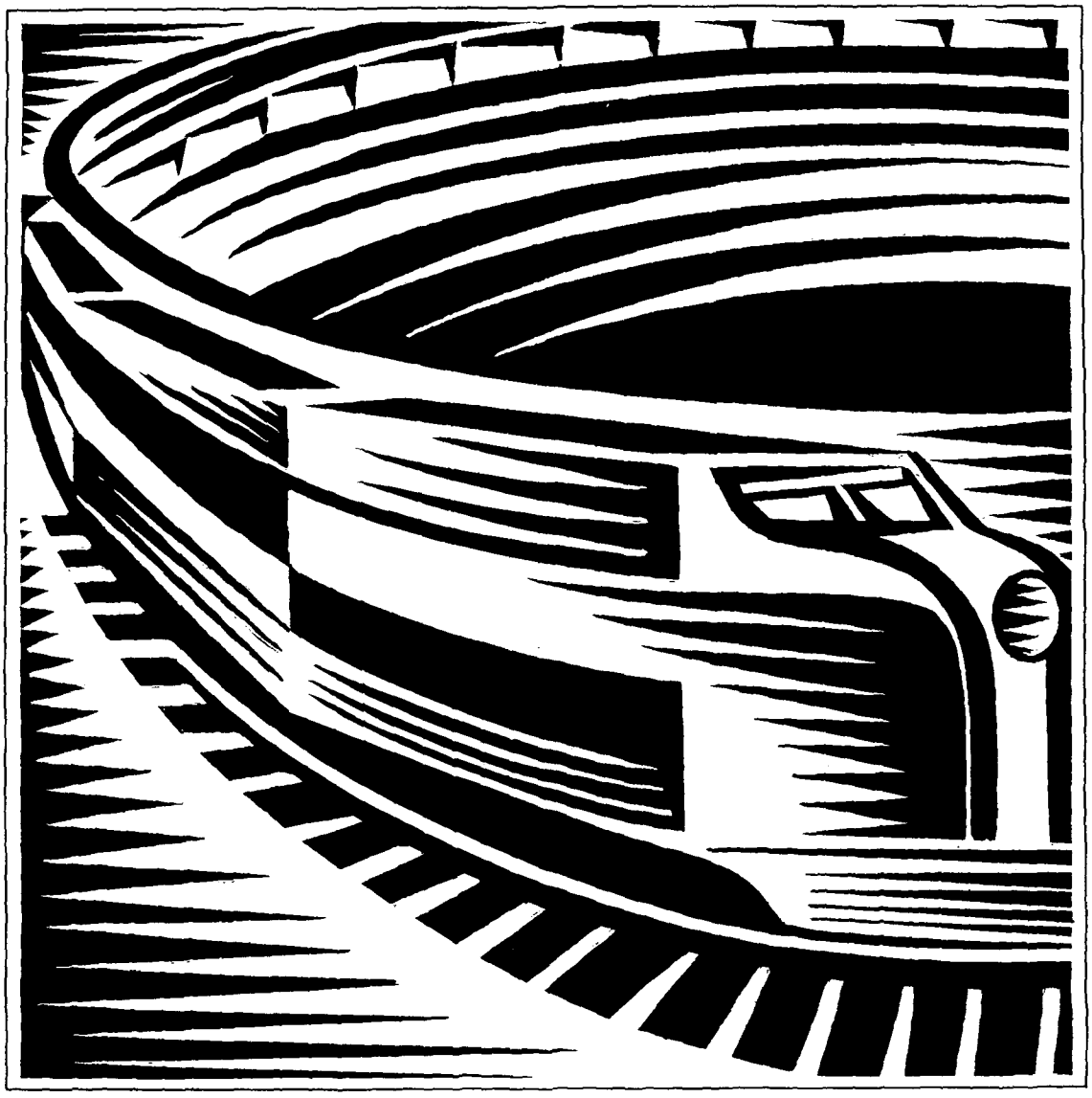

ILLUSTRATIONS BY JEAN TUTTLE.

pany has yet to pay a penny's worth of federal income tax. Nor is it likely to for several years to come. For all intents and purposes, the IRS treats Penn Central—one of the nation's fastest growing corporations—just as it would a nonprofit institution like the American Cancer Society.

So the old Penn Central may have botched the job of running the railroad, but it did know a basic secret of modern business. Through an assortment of devices—wholly owned subsidiaries, holding companies, and virtuoso accounting procedures, to name but a few—a corporation wishing to keep certain assets away from both the IRS and the bankruptcy court usually can do so, often with the skill of a junkie who has figured out a dozen ways to hide his stash before the narcotics officer breaks down his door. But here there's a difference. In this case the company not only kept its most profitable parts, it made the same government that took the railroad off its hands pay dearly for permission to do so.

Braniff has already taken the plunge; International Harvester and scores of other large corporations now hover on the precipice. The bankruptcy of the Penn Central suggests some of them may have something pleasant to look forward to—and that the rest of us should be holding on to our wallets.

Blood on The Tracks

The saga of the Penn Central best starts with a man named Stuart Saunders. Like many wealthy

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The Penn Central Corporation, America's 123rd largest company, paid no tax in 1981 on income of $290 million.

Philadelphians, Saunders inhabited a spacious mansion on the exclusive Main Line, called that because of the railroad. In fact, only a short distance from Saunders' home snaked a Penn Central commuter line that could have taken him directly to his downtown office. But Saunders avoided the dilapidated trains, with their sporadically operating heating units, broken doors, and rickety tracks. Instead, he rode to work each morning in his chauffeured limousine, able to peer up every now and then and catch a glimpse of the commuter train lurching in the same direction.

There was a reason Saunders avoided trains: he didn't like them. It was not a helpful attitude if one also happened to be chief executive officer of one of the nation's largest railroads.

Soon after becoming head of the Pennsy railroad in 1963, Saunders made it clear just how little interest he had in making trains run on time. Using a wholly owned subsidiary of the railroad called the "Pennsylvania Company" Saunders went on a buying spree. In 1963 the Pennsy bought majority interest in the Buckeye Pipeline Company, the eighth largest carrier of oil in the U.S. and a major supplier of jet fuel.

In 1964 the tempo quickened. The railroad bought the majority interest in the Great Southwest Corporation, a land development concern whose major holding was the Six Flags Over Texas amusement park. Later that same year the railroad acquired the Arvida and Macco corporations, which between them owned 100,000 acres of Florida and Southern California real estate. Combined with the railroad's other holdings, (which included the Waldorf Astoria Hotel and 27 sky-scraper-topped acres in mid-town Manhattan) the Penn Central was now one of the nation's largest real estate companies.

Saunders' grand design was to use the railroad as the core of an expanding, diversified conglomerate that would attract the attention of sophisticated bankers and investment brokers, most of whom looked upon railroads as relatively safe, low-yielding investments, worthy more of their scorn than their attention. Saunders not only courted these bankers (expanding the Pennsy's corporate board to give many of them seats), but he shared their scorn as well. Joseph Daughen and Peter Binzen, in their excellent book *The Wreck of the Penn Central*, relate a story told them by former Pennsylvania Governor Milton Shapp. Shapp recalled that at parties Saunders would speak to him enthusiastically about conglomerates like Litton and Gulf & Western, at the same time complaining about having to put more money into "that fucking railroad." Those were the exact words he used, Shapp recalled—"that fucking railroad."

Not that Saunders had no plans for the Pennsy. Far from it. He did, and they were even grander than his acquisition schemes. Saunder's dream—others called it an obsession—was to merge the Pennsy with the New York Central Railroad. The marriage would be the largest merger in U.S. history and produce the nation's biggest railroad.

Many had serious doubts about the proposed merger, including officers of the New York Central and the Interstate Commerce Commission, which had to approve it. Some opposed the merger outright; Shapp, who proved quite prophetic, argued that it would result in deteriorated service and the abandonment of thousands of miles of track, to the detriment of numerous Pennsylvania industries and communities.

But Saunders not only had determination, he had friends in high places. Shapp lost his 1966 bid for governor partly because of vicious personal attacks launched in the pages of Walter Annenberg's *Philadelphia Inquirer*. Annenberg owned substantial shares of Pennsy stock and was a Saunders confidante. When the merger finally was approved after going all the way to the Supreme Court, Saunders boasted that the first person to call and congratulate him was his good friend—Lyndon Baines Johnson.

The new Penn Central Railroad finally started business on February 1, 1968. Looking back at Penn Central's short life, it seems as if the railroad harbored a death wish from the very beginning. Service on the new line immediately declined as the loathing that Saunders and New York Central's

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Alfred Perlman felt for each other filtered down to the lowest ranks. Each railroad insisted on purchasing its own computer system to keep track of its freight cars, and the systems turned out to be incompatible. As a result, cars were constantly being mis-routed or lost for weeks at a time. Boxcars of Chevrolet transmissions bound for Buffalo routinely arrived in places like Cleveland; a General Electric distributor in Chicago, expecting to find white and tan washing machines might open a freight car only to discover green and yellow refrigerators.

More than service deteriorated. At the Pennsy, Saunders had helped pay for acquisitions and increased dividends by deferring maintenance and repair work—a strategy all too familiar among businesses trying to appear attractive to investors. For a while the strategy worked; from 1963-1967 the Pennsy's stock quintupled, as did its dividends. But under the newly merged Penn Central, the strategy finally caught up with Saunders. Derailments and mechanical breakdowns became chronic; at any given moment one in five locomotives was inoperable. The tracks deteriorated so badly that about 20 percent of all derailments were what railroaders euphemistically call "standing derailments"—that is, the cars left the tracks when they weren't even moving.

Despite these ominous developments, Saunders and the Penn Central board of directors

GETTING THEIRS

The management and the shareholders of the Penn Central Corporation weren't the only ones able to turn the railroad's disaster into a lucrative opportunity. Below is a list of some other beneficiaries; what's striking is that it includes so many of the same people who helped lead the Penn Central to ruin in the first place.

The shippers. Penn Central's corporate officers were inept, conniving, and greedy. But robber barons they weren't. In fact, Penn Central's bankruptcy was partly due to a hold-up of the railroad—by its own customers.

Some of those customers were small, independent businessmen, but others were among the nation's largest corporations: GM, U.S. Steel, and Peabody Coal, to name just a few. Through constant pressure on the Interstate Commerce Commission, these shippers managed to get the best of both worlds. Railroads like the Penn Central weren't allowed to abandon unprofitable lines. At the same time the ICC kept rates so low railroads could barely break even. This encouraged the Penn Central's acquisition habit and caused many better-managed carriers to follow it into bankruptcy.

When Congress took responsibility for the railroad in 1973, shippers' rates stayed artificially low while the government invested more than $3 billion to repair Penn Central's decrepit system. The shippers got an even better railroad, paid for in full by the taxpayers. To convince the government that this made perfect sense, the shippers hired lobbyist Charls Walker, a former deputy treasury secretary for Nixon. Walker went on to become one of Washington's most successful lobbyists and in 1981 helped engineer a far grander bail-out scheme—Reagan's Economic Recovery Act.

The unions. The railroad industry is one of the few bastions of blue-collar America where a man can put in less than a good day's work—and somehow get paid for two. For example, many railroad employees are still paid on the basis of the 100-mile day. A train crew may cover that distance before lunchtime; the rest of the day is all overtime.

The railroad unions have long defended this and other work rules even more irrational. And if they were contrite about burdening Penn Central with the highest labor costs in the industry, they didn't show it. Instead, they succeeded in cutting an even better deal for themselves when Congress stepped into the act. The unions convinced it to give every employee below vice president with five years' seniority *lifetime guaranteed incomes until age 65.* These guarantees were indexed to the cost of living and based on each worker's earnings in 1974, one of the busiest years in the rail industry's history. As a result, most of the money went to people *who still had jobs with the railroad.* For instance, one railroad clerk with an annual salary of $17,000

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continued their policy of preening for the investment bankers. In 1969, with the company's precarious financial position already becoming apparent, the board voted $43 million for dividends, which netted Saunders alone $70,000. The vote was hardly surprising; 16 of the company's 23 directors also served on the corporate boards of various commercial banks, most of whom were loaning Penn Central increasing sums of money to meet operating expenses—and pay dividends. These same banks also owned over a million shares of Penn Central stock. Their pecuniary interest in the dividend policy was obvious. With Penn Central borrowing money partly to pay higher dividends, the banks were able, in the familiar parlance of investors, to "play both sides of the street."

In the Penn Central's final months, its corporate officers and banking allies worked frantically to assure the public that the company's financial problems were only temporary. But private behavior belied the public assurances. Soon these very parties began dumping huge quantities of Penn Central stock on a relatively gullible market. Fifteen of the company's top executives sold from their personal holdings in the company's last year of life; the SEC later estimated they saved themselves more than $1 million. Far more noteworthy were the trading activities of the nation's major banks, including

pulled down an additional $20,000 in guarantees.

The government finally stopped this nonsense in 1981, but not until spending over $500 million. Still, it continues to treat its railroad employees far better than its own civil servants—not an inconsiderable feat. The average ConRail employee makes $28,000 a year, not counting fringe benefits. In place of a guaranteed income, the government now gives departing employees $25,000, lump-sum payments.

The old Penn Central's creditors. If Penn Central had been forced to satisfy its creditors by selling its railroad holdings, many of those creditors would have followed the railroad into bankruptcy. The reason was simple: the railroad was almost worthless. As Howard Wilchins, a government lawyer involved in the case once put it, "How much is it worth for the right to operate a railroad that loses $400 million a year?"

Not much—which is why the government's arrival was such a godsend. The creditors, many of whom had helped lead the railroad to oblivion, no longer had to accept the free market's judgment—they could now go to court and prove the railroad *really was* valuable. Armed with various arcane theories about "just compensation," Penn Central's lawyers argued—presumably with a straight face—that the railroad's assets were worth $7 billion. The government's estimate for the 30,000 miles of rusting and broken track, 150,000 dilapidated freight cars, and 4,000 breakdown-prone locomotives was about $600 million.

The final settlement, though closer to the government's estimate, was still cause for celebration among the creditors. It allowed them to be repaid almost in full through a combination of cash, bonds, and stock in the new Penn Central Corporation. Issued at about $15 a share, that stock is now worth about $40.

The lawyers. The creditors wanted their day in court; the lawyers ended up getting eight years' worth, which was fine by them. The Penn Central bankruptcy launched one of the largest litigation sweepstakes in American history. Between 1970 and 1978 about $100 million was spent by different parties on legal fees, most going to argue the simple question, "How much is a bankrupt railroad worth?" More than two million documents were generated in the process and at the height of the case the government alone was spending $20 million a year, much of it on outside counsel provided by Lloyd Cutler's Washington law firm. The bulk of Penn Central's litigation was handled by another well-connected Washington firm, Covington and Burling. ◆

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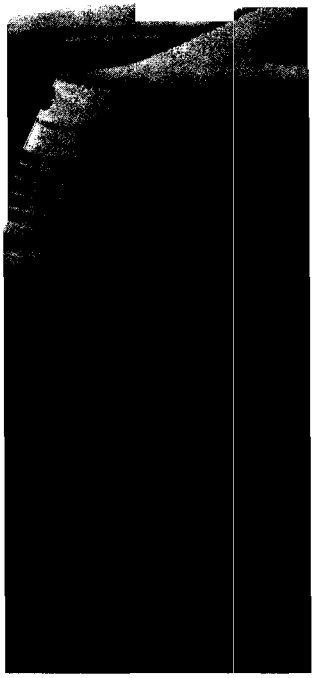

The Most Astounding Car In The

The Probe III, an experimental Ford, drew some of the biggest crowds at the Frankfurt Auto Show. And it got great press. Germany's leading automotive publication, *Auto Motor und Sport*, called it "a dream car–slippery as a futuristic study in aerodynamics."

Aerodynamics is what the Probe III is all about. The airstream over the car does not symbolize the wave of the future, rather it shows how the Probe III looks in a wind tunnel.

It looks spectacular. A completely enclosed underbody, unique twin deck biplane rear spoiler (to maximize aerodynamic efficiency), sculptured door mirrors and flat wheel covers all contribute to Probe III's aerodynamic excellence.

Seat belts save lives-buckle up.

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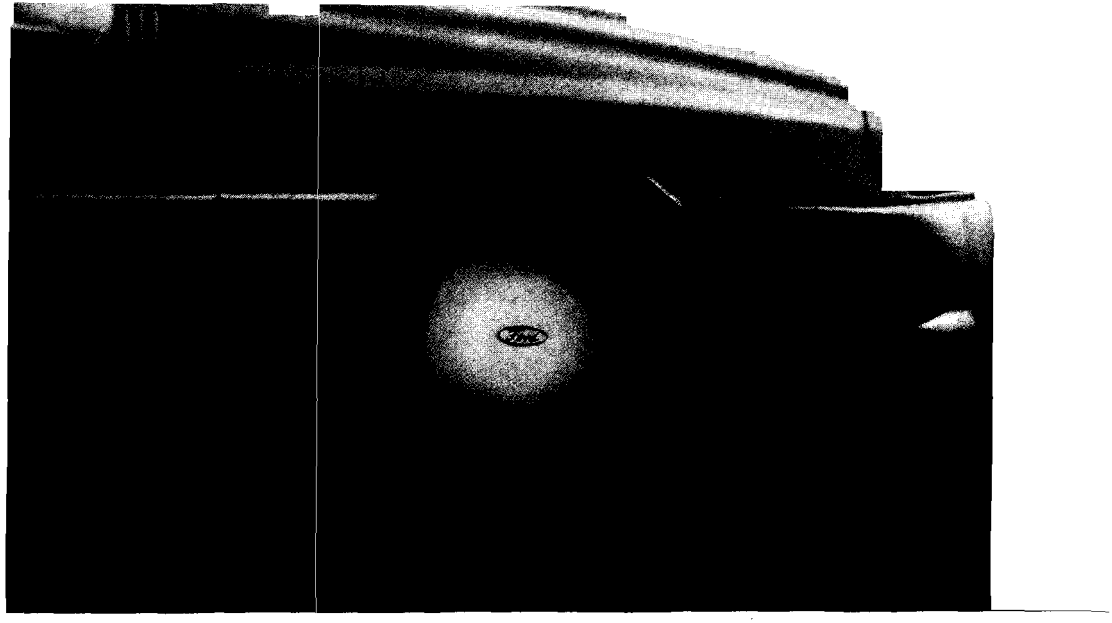

German Auto Show Was A Ford.

Compare it to most '82 European models and you get a glimpse of the near future. Drag coefficient is reduced by 50%, which conceivably could result in a 27% rise in fuel efficiency at higher speeds.

But aerodynamics is not merely a future concern of Ford Motor Company. It's a science in which we are assuming a leading role right now.

Our Ford Escort and Mercury Lynx, here in America, for example, have less wind resistance than the VW Rabbit, Mercedes Benz 300D and Audi 5000.

So the Ford Probe III is not a beginning, it's another move forward.

Ford

There's A Ford In America's Future.

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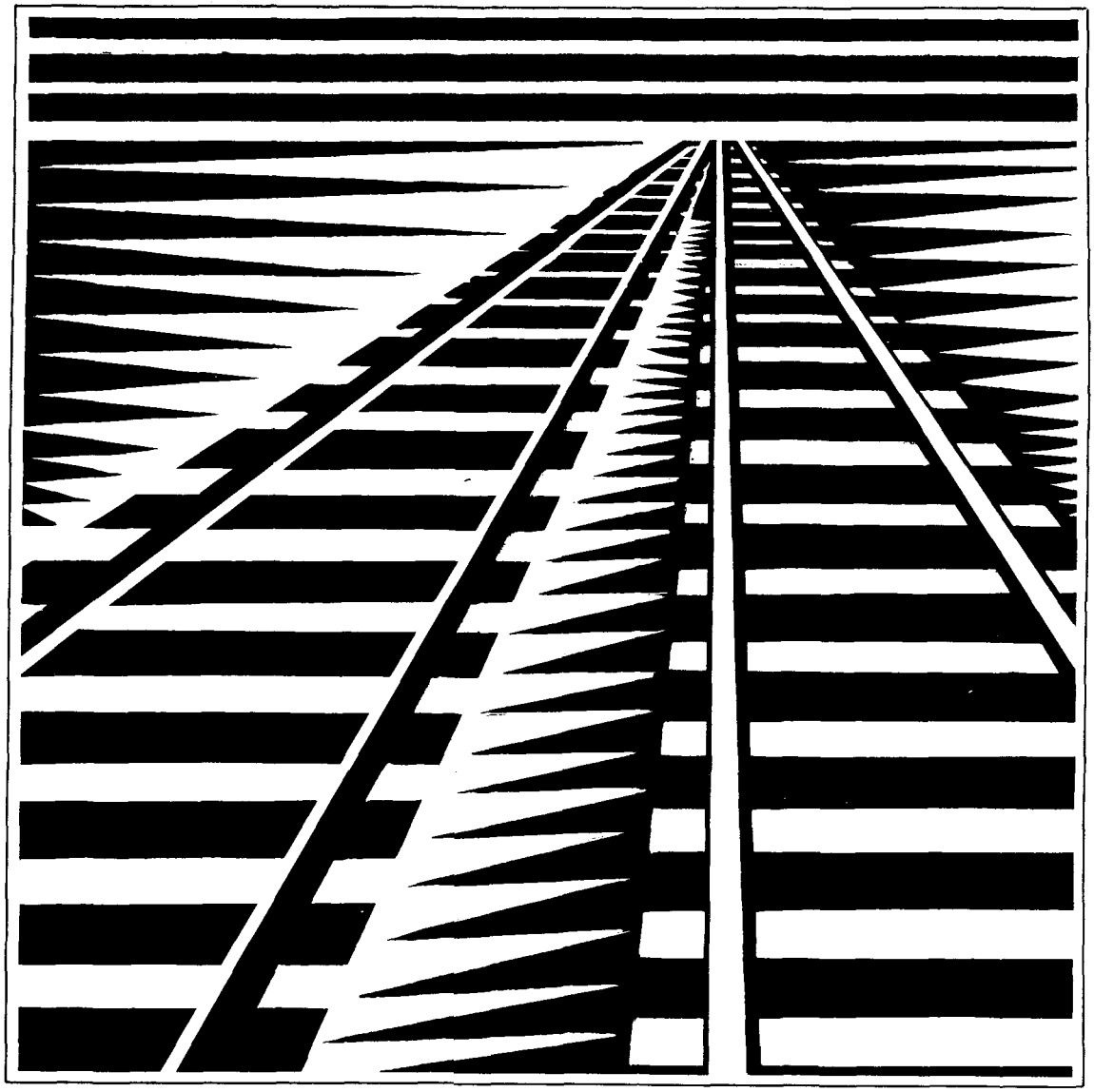

David Rockefeller's Chase Manhattan and the company's largest single shareholder, Morgan Guaranty Trust. In late May 1970 Chase Manhattan sold 287,000 shares, or about half its holdings. Morgan Guaranty unloaded 400,000 shortly thereafter. In the company's last six weeks of life, various banks sold about two million shares, most of them to unwary investors who believed the pronouncements of company officials that if all else failed, Penn Central could always get government assistance.

On Sunday, June 21, 1970, Penn Central declared bankruptcy. Under a 1933 law the Penn Central's trains kept operating under the guidance of four court-appointed trustees while creditors began negotiating to reorganize the railroad's $3.7 billion debt. Since the responsibility of a trustee is to protect existing assets for creditors, Saunders' policy of minimal maintenance continued. When ConRail—the government corporation authorized in 1973 to operate most of Penn Central's freight lines—finally took in 1976, the system, in the words of a ConRail official, was "a piece of junk." The GAO was slightly more charitable; it used the phrase "atrocious".

Ashes to Assets

The Penn Central bankruptcy was the end of the line for Stuart Saunders. For Victor Palmieri, it was an opportunity to make yet another fortune.

Palmieri had made his first fortune in the

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When ConRail took over Penn Central's freight operations in 1976, the system it got was "a piece of junk."

1960s with Janss Investment, which developed Snowmass ski resort in Aspen and refurbished Idaho's Sun Valley. Like Saunders, Palmieri bore little resemblance to the typically gruff railroad executive in his ill fitting suits, who'd rather inspect tracks and diesel locomotives than meet with Wall Street bankers. A self-styled "crisis manager," his business interests, like Saunders', were far more general. Palmieri was also a Democrat; in 1967 he served on the Kerner Commission and later was President Carter's Coordinator of Refugee Affairs.

Palmieri arrived on the Penn Central scene in 1970 as a $25,000-a-month consultant to the ailing Great Southwest Corporation, one of the acquisitions Saunders had made through the Pennsylvania Company. Palmieri's success in putting the Great Southwest Corporation on a sound financial footing so impressed directors of the Pennsylvania Company that they asked his firm to manage their organization, too. Palmieri accepted, and with some help from a booming real estate market, the Pennsylvania Company prospered. In 1973 its appraised value was $154 million; by 1978 it was over $500 million. In 1978 the company became the main component of the Penn Central Corporation, created that year as part of a reorganization plan devised to pay off the railroad's creditors.

Palmieri and his associates enjoyed a spate of favorable publicity for their success; "Victor Palmieri, the Amazing Rent-A-Boss," one 1978 profile in *Fortune* was entitled. And there were other compensations. For their efforts from 1973-78 the Pennsylvania Company paid Palmieri and a half-dozen associates $21 million.

Palmieri certainly can't be blamed for managing the Pennsylvania Company into prosperity. But it's not as if his efforts alone were responsible—in fact, far from it. Palmieri's success must be attributed partly to an ironic bit of luck and partly to the hidden subsidies given the Pennsylvania Company and the new Penn Central Corporation by the U.S. government—subsidies that exceeded $1 billion.

The luck can be traced to the old Penn Central's last-minute scramble for cash to prop up its flagging enterprises. In April 1969 the company approached a consortium of New York banks, led by Walter Wriston's First National City Bank, and asked for a $300-million line of credit to help meet operating expenses. Perhaps sensing the railroad's financial plight—presumably no act of great prescience, since many of these banks had representatives on Penn Central's board—the consortium insisted that collateral for the loan consist of the Pennsylvania Company's stock, not the railroad's assets. "As it turned out, this was a real stroke of luck," recalls Frank Loy, a Palmieri associate who stayed on to become the Penn Central Corporation's president.

That's putting its mildly. Had it not been for this arrangement, today's Penn Central Corporation might be little more than a footnote in Moody's. When the railroad declared bankruptcy, the banks asked the court to seal off "their" assets—the Pennsylvania Company—to prevent them from being used to pay operating expenses or creditors. The court agreed. There was no small irony in the move, especially since a 1970 investigation by the House Banking Committee concluded that the outside investments of the Pennsylvania Company played a key role in the railroad's demise by depriving it of badly needed cash. Those assets were now useless in any attempt to salvage the railroad.

Winning Through Losing

In order to understand how the government helped put the new Penn Central Corporation on the road to riches, one has to journey briefly into the strange world of the IRS tax code. Ever wonder how large companies stay in business even when they're losing huge amounts of money? Partly through the use of something known as "net operating losses." The IRS code allows both corporations and individuals that lose money one year to carry those losses forward to offset income in future years, thereby reducing tax liability. For corporations, the provision operates as a pre-bankruptcy safety net, allowing them to muddle

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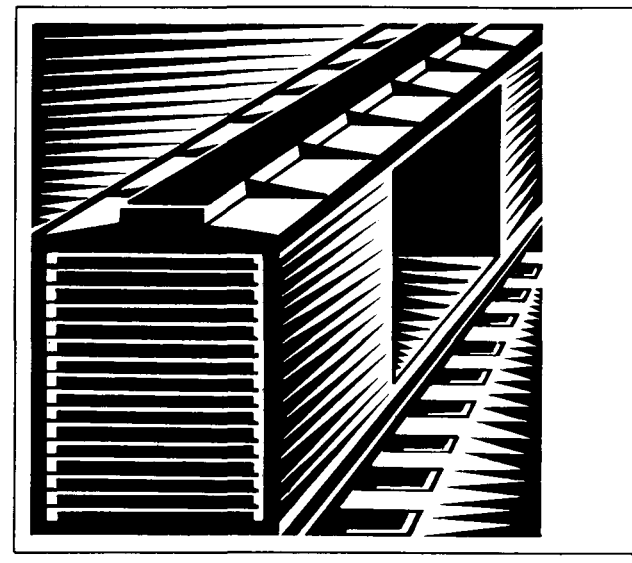
through one or several years of losses in hope of tax-free profits in later years. And thanks to the 1981 Economic Recovery Act, these losses now can be used up to 15 years after they're incurred, rather than just five.

The net operating loss provision explains why the Penn Central Corporation hasn't paid income tax since its 1978 birth—and why it probably won't for at least several more years. Between 1969 and 1975 the Penn Central railroad incurred net operating losses of $1.5 billion, more than enough to offset the new Penn Central's income.

Of course, using net operating losses is a long accepted and common business practice. But the Penn Central bankruptcy was hardly a common event. Remember, were it not for government intervention the railroad's creditors would have fared far worse than they did; no one else was elbowing their way to Penn Central's corporate headquarters, cash in hand, ready to buy the defunct railroad. In effect, through the net operating loss provision, the government gave the new Penn Central Corporation a new lease on life—and then gave it enough tax breaks to assure it lived in high style.

To a tax lawyer for whom such things have a certain elegance and beauty, the explanation is quite simple. When the government bought the Penn Central's railroad it didn't "buy" the valuable operating losses the railroad had created. That's because those losses didn't belong to the railroad per se but to yet another legal entity known as the Penn Central Transportation Company. Had the government nullified those losses as a condition of taking over the railroad, it could have prevented the new Penn Central Corporation from getting paid twice—once in cash payment for the railroad itself, and later in tax breaks.

The government's failure to drive a harder bargain when it acquired the railroad has ramifications far beyond lost tax revenues. These operating losses have encouraged the new Penn Central Corporation to go on an acquisition binge that would make Stuart Saunders proud. In 1979 the company paid $57 million for the Williams Energy Company, $51 million for the Magic Mountain Theme Park in California, and $343 million for Marathon Manufacturing, the world's largest producer of oil drilling platforms. In 1980 Penn Central bought two oil and gas drilling companies. In 1981 it snatched up two more and then paid $704 million for GK Technologies' Incorporated, an electronics and telecommunications firm. In the acquisition



game, Penn Central's not in the same league yet with Mobil Oil, but not for lack of trying.

As Dicker pointed out in the company's 1980 annual report, "Acquisitions are a very important part of PCC's overall strategy for growth." The strategy is perfectly understandable. Operating losses go unused unless a company has sufficient income to shelter, and acquisitions help Penn Central generate additional income. They also benefit the owners of the companies Penn Central devours. For instance, the stockholders of GK Technologies, whose common stock went from $44 to $50 when the acquisition was announced, made about $100 million on the deal. It all works like a daisy chain, and a lucrative one at that.

But it's also a peculiarly vicious—and debilitating—circle. Rather than invest its profits in new plant and equipment, Penn Central is simply rearranging some of the nation's corporate assets. This may make millionaires, but it does nothing for the nation's over-all productivity. In fact, this strategy directs scarce capital away from the industries most in need of it, such as steel, automobiles, and other heavy manufacturing concerns. It's no small irony that the decline of these very industries will particularly hurt the nation's railroads.

So the government is still fueling the "acquisition fever" that played such a key role in the collapse of the Penn Central railroad. The cost of doing this—in foregone investments, in lost jobs, in declining exports—is incalculable. Still, it's one of the most important—though usually overlooked—legacies of a railroad bankruptcy that after 12 years is still affecting our economy.

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Rather than improving its own assets, the Penn Central is busy buying other companies as tax shelters.

●

Given the costs and consequences of the Penn Central bankruptcy, one might conclude the government made a fatal mistake in getting into the railroad business. That's not so. The government had little choice but to save an industry so vital to the economy of the Northeast. And having done that, it wisely invested the public's money in badly needed new track and equipment. It eliminated unnecessary railroad employees and abandoned unprofitable lines. All in all, the government has managed its railroad far better than the old Penn Central did. This is one of the surprises of the Penn Central story, putting the lie to those who say government enterprises are necessarily inefficient and incompetent. The government can run a railroad, and it can run it well.

It would also be a mistake to conclude that the managers of the new Penn Central Corporation have acted in an unsavory manner. They simply have done what all corporate executives are expected to do, which is make money for their stockholders. They are confined by certain rules, of course, but those rules are created largely by the government.

What the government forgot in the case of the Penn Central bankruptcy was that it was in a position to change some of those rules. There's nothing sacred about laws that allow holding companies, wholly owned subsidiaries, and other legal devices to protect profitable investments whil foisting unprofitable ones onto the public. Nor is there anything sacrosanct about a tax code that rewards companies for shedding their unprofitable parts, or that encourages acquisitions over far more productive investments. And perhaps most important, there's no law written in stone that says the government, faced with the unpalatable necessity of bailing out a private corporation, can't drive a decent bargain for its own shareholders—the taxpayers.

Unfortunately, the mistakes of the past seem doomed to repeat themselves. Last year, losing patience with ConRail despite growing signs of profitability, Congress decreed that the railroad should be sold to the private sector sometime in late 1983. During the debate on the bill the Reagan administration advocated an immediate sale, while Democrats urged a slower approach. But neither questioned the idea that ConRail should be sold; the mere notion of keeping the government in the railroad business was treated with the same scorn Stuart Saunders once reserved for his railroad.

So within a year, after investing close to $7 billion in ConRail, the U.S. government will return a much healthier railroad to the world of free enterprise. No one, particularly officials in the Reagan administration, wants to hazard a guess as to how much this railroad will bring—and for good reason. Last spring ConRail let an estimate slip out in a special report to Congress. It put the railroad's market value at a meager $500-900 million. This, remember, is for a railroad for which the government paid $2.1 billion, *before* investing another $3 billion for repairs.

Unfortunately, it gets even worse. To many potential buyers, ConRail's shiny new locomotives and freight cars are of secondary importance. ConRail's main attraction is the $1.9 billion it has lost since 1976. Those operating losses can be transferred to the new owner, who can then use them to shelter other income.

At work here is another legal fiction: the official owner of these losses is not the U.S. government but the private creature it bankrolls, ConRail. Yet who has actually lost this money? The U.S. treasury. And who will lose more in foregone tax revenues because of this legal sleight-of-hand? The same U.S. Treasury. At least Stanley Crane, president of ConRail, is as honest about what's going on here as he's widely praised for his managerial talents. In a recent interview with the trade publication, *Traffic World*, Crane observed of his company, "All of this is a damn fine tax shelter for someone."

Indeed. Having paid more than once for the bankruptcy of the Penn Central, the U.S. taxpayer can look forward to doing so at least one more time. For the captains of American industry lucky enough to have something to do with this misbegotten company, the gravy train just keeps rolling along. ■

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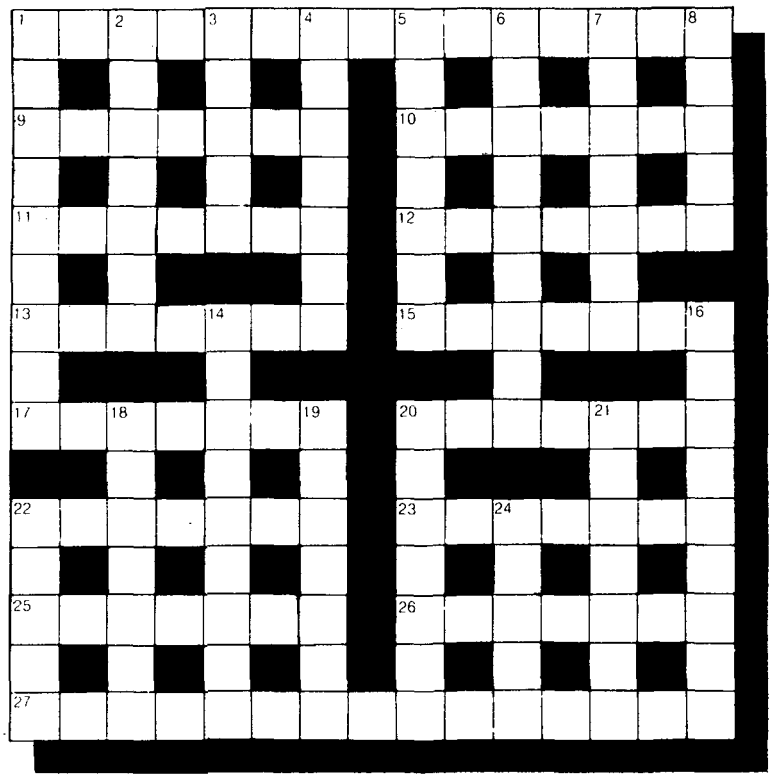
The Political Puzzle

by John Barclay



The numbers indicate the number of letters and words, e.g., (2,3) means a two-letter word followed by a three-letter word. Groups of letters, e.g., USA, are treated as one word.

ACROSS

1. Y and 27 Across. (3, 6, 2, 4)
9. Went on trip and arranged room with Ted. (7)
10. Lessen an island in eternity coming back. (7)
11. A calf sometimes or liquor, we hear. (7)
12. Felt sympathy with grain inside stuffed. (7)
13. Philosophies confused St. Simon. (7)
15. See in six directions the most important element. (7)
17. Virginia rents out crazy helper. (7)
20. Clever rejoinder makes it prose. (7)
22. One cell developed into Irish lass. (7)
23. Putting on the Attorney General in crime trap. (7)
25. Inclines tossed ship, etc. (7)
26. Bird that took a nip from another? (7)
27. Celebration at the Trumans'? (12, 3)

DOWN

1. Potential troubles when news magazine fails? (4, 5)
2. Looking up Linkletter in baseball team board. (7)
3. Propelled in Balboa redistricting. (5)
4. Set right about costume? (7)
5. Job-seeker fixed sign around male subject. (7)
6. Leads down the opposite and finishes. (7, 2)
7. A French neat composition left over. (7)
8. Submit clumsy lie in the yard (5)
14. Mysterious chap spies on lunar vehicle. (5, 4)
16. Post-natal crisis? (9)
18. Linked former in scarlet. (7)
19. Hears one unsent strangely. (5, 2)
20. Brother or sister in anger not to be taken seriously. (7)
21. Spend it back in allowance. (7)
22. Island held in South America privately. (5)
24. I can't upset funny business. (5)

Answers to last month's puzzle:

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Tidbits & Outrages

We Always Knew These Were Family Magazines

Alan Crawford, author of *Thunder on the Right*, an analysis of the far rightwing, recently took a look at another political group, the neo-conservatives. His findings:

John Podhoretz is not only the son of Norman Podhoretz, but the movie critic for *The American Spectator*, which is edited by R. Emmett Tyrrell. Tyrrell also publishes the work of Naomi Decter, the daughter of Midge Decter, who is Norman Podhoretz's wife and a contributor to his magazine, *Commentary*. Tyrrell has a dog he calls Irving Kristol.

Irving Kristol has a son, Billy Kristol, whose work appears in *The American Spectator*. Billy Kristol has a sister, Liz Kristol, who wrote the *American Spectator*'s unofficial history. The pages of that magazine are often graced by the drawings of a young man named Elliott Banfield, who is the son of Edward C. Banfield, the neo-conservative Harvard professor and author of *The Unheavenly City*.

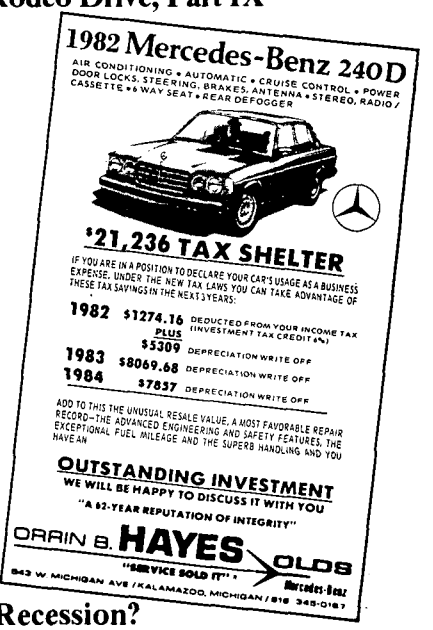
Naomi Decter met her husband, Steve Munson, of *The New York Times Magazine*, at the *Spectator*'s tenth anniversary dinner. Tyrrell introduced them. Munson was then managing editor of the *Spectator*. Before going to Bloomington, Indiana (where the magazine is published), Munson was an intern for Irving Kristol at the magazine he edits, *The Public Interest*.

Naomi Decter has a sister, Rachel Decter, who is now married to Elliot Abrams, who is the assistant secretary of state for human rights. Earlier, Abrams served as Senator Daniel Patrick Moynihan's administrative assistant. Moynihan's work has appeared in *Commentary*, *The Public Interest*, and *The American Spectator*. R. Emmett Tyrrell has a son named Patrick Daniel Tyrrell.

You know how hard Gucci loafers are to waterproof these days.

Travelers toss $40 to $50 a month into an airport fountain in Phoenix, Arizona and the United Way is entitled to the cash. But a spokesman for the charity told the Associated Press that United Way employees were not planning to collect the money because they didn't want to get their feet wet.

Reaganomics meets Rodeo Drive, Part IX



Recession? What Recession?

Representative Les Aspin of Wisconsin has assembled some interesting sales figures from the recession:

—Between April and October 1981, Rolls-Royce sold 42% more cars in the U.S. than it did in a similar period a year earlier.

—Cadillacs were up 7.3 % in 1981 over 1980.

—Mercedes were up 16.8 %.

—Ferraris were up 16.0 %.

—Jaguars were up 58.8 %.

—Furs were up 9.0 %.

—Imported French champagne was up 10 %.

Jumping to Conclusions?

The following headline appeared on page one of the June 7, *Portland* (Maine) *Press Herald:*

Israel's invasion starts talk of war

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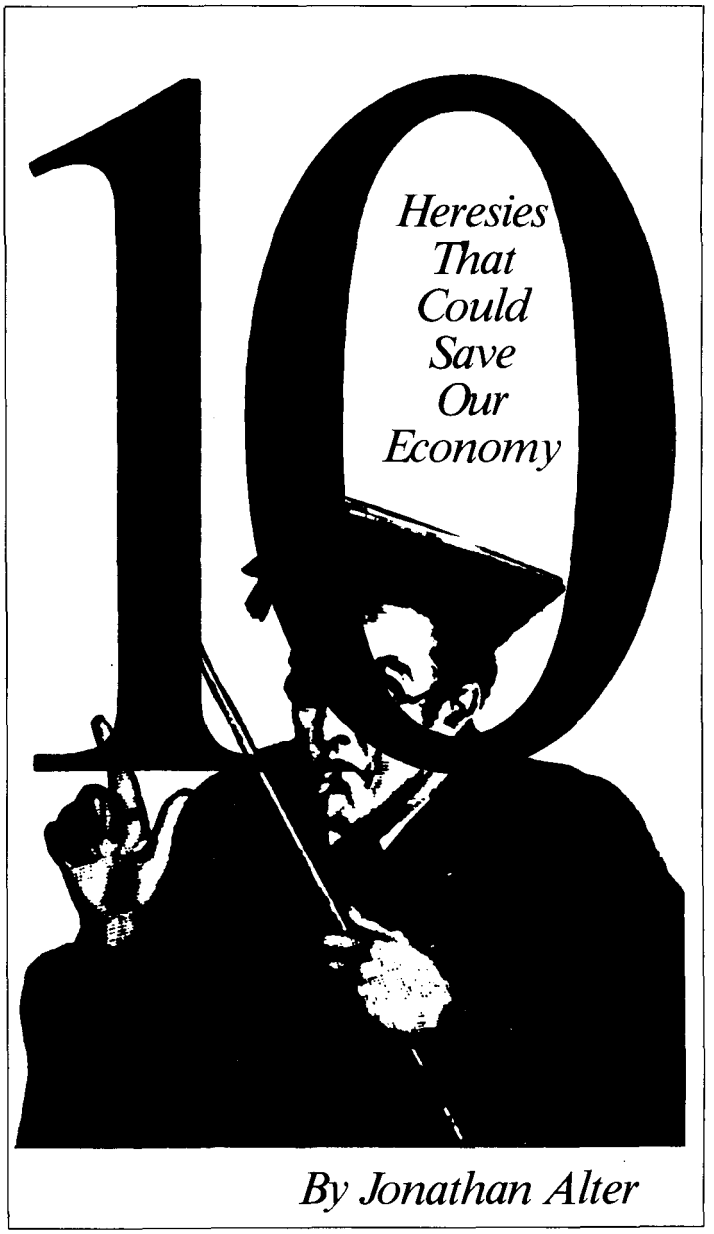

Our economy is on the ropes. It may not be in a depression—yet. It may have spared you and your family up to now. But it's in trouble, and despite a few recent glimmers of recovery, it's going to remain in trouble for many months to come. Take capital investment plans. They're down sharply this summer, a development that will reverberate throughout the economy at least until next year, and probably beyond. Whatever the hopeful signs, we're still a long way out of the woods.

What do our political leaders propose to do about it? The answer, only dimly grasped by the public, is nothing. The Republicans, echoing a refrain of 50 years ago, have settled on a prosperity-just-around-the-corner position. The Democrats, having voted for the Reagan budget last year out of fear for their hides, voted for it this year (or refused to fight hard against it) out of lust for the hides of Republicans, who they believe can be saddled with full responsibility for the country's pain and suffering come November.

Meanwhile everyone else is left without much to lean on, except some dearly held notions of the way the economy works, or is supposed to. Our purpose here is simply to bust a few of those mental blocks, and to get people to open themselves up to some different approaches. Several of these approaches should be tried right now, to help keep us from sliding into a depression. Others should be tried in the long term, to help restore permanent health. Some of the ideas on this whirlwind tour will make you uncomfortable. They should. The state of the economy has reached the point where disturbing solutions may be the only kind we have.

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Short Run Remedies

1. Spend, Don't Save

Somehow a fiction has arisen in recent years that consumer spending is a bad thing, that it's better to "save." Sure, saving is important when it results in genuine capital formation that can build new factories. But it doesn't do any good under mattresses or in money market funds, where ten million people now put more than $200 billion in assets. Most of this money ends up in short-term commercial paper, government securities, or other investments that do not produce new plants or provide new jobs.

Spending is a better idea, especially right now. The only way to get out of the recession and have a permanently growing economy is for people to buy a lot. Increased buying means increased orders, which mean increased production and increased jobs and growth. Inflation doesn't result from such growth per se, a point that many people don't seem to understand.

If we're going to have more buying, we need more disposable income, and that's why almost everyone agrees that a tax cut this year is necessary. The question is what kind of tax cut. The Reagan plan increases the disposable income of people making $100,000 a year by 6.6 percent (10.3 percent next year). It increases the disposable income of people making $15,000 by 1.6 percent (3.0 percent next year), and social security taxes wipe out that. As we've seen, those at the upper end of the scale tend to invest their money in interest. (If they were putting it into the productive economy we wouldn't have this kind of recession.) Those at the middle and lower end of the scale tend to *spend* their money when they get it. Because the country needs more spenders and fewer money marketeers, we need to adjust our tax policy to give middle and lower income people more. It's not only fairer if you believe in redistributive justice, but smarter if you believe in saving the economy.

2. Politicize the Fed

Ronald Reagan may not know it, but all the tax cuts in the world won't induce people to invest productively if interest rates don't come down. In order to bring them down, Congress must break the mystique of the Federal Reserve Board and force some loosening of the money supply (see "Defrocking the Fed," June).

Under the Constitution, Congress has responsibility for monetary policy. The Fed is by law its servant. Thus, granting the Congress and the public some voice in determining the price we all will pay to fight inflation is not the irresponsible position you have been led to believe. So far, Paul Volcker has been allowed to wage the war alone. As recession casualties mount, he and a shamefully large body of respectable opinion makers have scoffed at the idea of "political" accountability. That accountability must now be enforced. Volcker should be made to return to the Fed's pre-1979 operating procedure, which allowed it to set short-term interest rates directly. The economy needs more oxygen, and the Fed's money supply targets must be expanded to provide it.

3. Cut Defense Today—Not Tomorrow

Congress has to grow up a little, too, showing long-term financial markets that it has the discipline to reduce the huge deficits of the next several years. The lack of confidence caused by the prospect of those future deficits translates into an unwillingness on the part of investors to take a chance on the long-term future of the country. We might want investors to take a cheerier approach, but without an encouraging sign, they won't.

So Congress must recoup revenue by rescinding some future tax cuts (particularly those for the wealthy), paring back entitlement programs, and cutting defense spending. The reason cutting defense is a short-term necessity is that with any more delay, the boat will be over the falls: the money will be committed, the unnecessary weap-

Jonathan Alter is an editor of The Washington Monthly.

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ons in production, and the massive future deficits inevitable. On the other hand, if the cuts were made right now, more than $250 billion could be saved by 1987 without weakening the defense at all (see "35 Ways to Cut the Defense Budget," April).

If defense spending created a lot of new jobs to get us out of the recession, the Reagan plan actually might contain a silver lining. But this spending won't have a multiplier effect—at least not for a few years. "The days of Rosie the Riveter just aren't the case anymore," the vice president of Boeing told *The New York Times*. McDonnell Douglas, the nation's largest arms contractor, sees no significant employment increase until 1984. The sectors of the economy where defense-related jobs *will* eventually become available—engineering and other areas of technical expertise—are now experiencing near or full employment.

Meanwhile the dimensions of the buildup and the possibility that its real cost was underestimated (some in the Pentagon say by as much as $750 billion) help assure high deficits and a crippled economy for years to come if the cuts aren't made soon.

4. Bust the 1983 Budget Some More

While everybody knows the staggering budget deficits projected for future years spell disaster, it's important to remember that in the *short-term*—i.e., this year—the deficit isn't much to worry about. "When you're in a recession, deficits are a partial consequence of that recession, and of efforts to get out of it," says Barry Bosworth, an economist with the Brookings Institution. Even the most ardent believers in the theory that deficits cause inflation have a hard time suggesting that they do so in the midst of a recession.

The first 1983 budget resolution will feature a deficit in excess of $100 billion dollars. Because we'll have a deficit of this size no matter what happens, we might as well try to ease the pain for some of the victims of the Reagan/Fed policy. It would be nice if we could do this in place of some of the defense spending increases, but if anti-recession programs have to be funded in *addition* to defense boosts, we can survive it. Adding another $10 billion or so to a $100-billion deficit isn't going to make any difference. Honest.

The list of harmful cuts that need reconsideration is long, but the one that probably hurts victims of the recession most seriously is food stamps. You might say that the words "food stamps" and the odious images they conjure up for many Americans had a lot to do with electing Reagan. But the fact remains that this is the most successful of all social welfare programs. It is one of the few antipoverty programs where most of the money is guaranteed to end up in the hands of the intended recipients instead of being wasted in layers of bureaucracy. Because of its success, fewer people than ever go hungry in this country. The food stamp program needs some reform, but even Senator Robert Dole, hardly the picture of soft-headed liberalism, believes the $1.5 billion in cuts in the 1983 budget resolution is heartless.

5. Forget "Free Trade"

To Americans, "free trade" is a religion. To the rest of the world, it's a tool—something to be embraced when it serves the national interest and discarded when it does not. This is changing, as certain U.S. industries (most recently sugar) clamor successfully for protection. But in critical industries—such as autos—it's not changing fast enough to allow the flexibility we might need to stave off depression. While a free trade policy is clearly desirable in the long term, right now we have to start acting more like our allies. The days of the American Santa Claus are over.

That translates into a concept Senator John Danforth calls "reciprocity." Under his proposal, foreign countries would be required to grant the same access to U.S. businesses as the U.S. grants theirs. If they didn't, trade laws would be amended to allow the president to take retaliatory action. This wouldn't eliminate our $18-billion trade deficit with Japan, and it wouldn't automatically open up their markets to our beef, citrus, semiconductors, and other products. But it could send the right message and help eliminate the "non-tariff barriers"— the Japanese standards on baseball bat labels, the British requirements on killing chickens, for example—that are used by our allies as not-so-subtle excuses for keeping American products out.

Let's say you pick up some American-brand soup in France. Chances are it will say something like "Canned in Cannes." We've got to start thinking this way too, as the UAW does in arguing for a bill that requires a certain percentage of the

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parts in a car sold in the U.S. be built in the U.S.—even if by a foreign manufacturer. If things get a lot worse—if a depression develops—we just might have to open our minds to the distasteful proposition of a full-scale embargo on cars. Merely the threat of one would tell the Japanese that—so-sorry—the survival of our economy is more important than international goodwill. If such an emergency arose, the deal should be that domestic manufacturers not raise prices during the embargo, and that if they blew this chance to get back on their feet, they could expect no further help.

Given the choice, most of us prefer to think and read about zoning board hearings, the Law of the Sea Conference—anything but international trade. That's got to change. Americans had better get interested soon—and wake up to the fact that we're letting other countries commit unnatural acts against us.

Long Run Remedies

6. Reward Pie-Enlargers

The one reform that could do the most to improve the overall productivity of the American economy is easy to grasp. All tax breaks, tax credits, direct subsidies, and any other means the government uses to shape economic behavior should be directed toward rewarding investment only when it goes for something *new*. The rearranging of existing assets that so occupies the attention of our brightest lawyers, accountants, and businessmen is almost entirely unproductive and should go unsupported by the government and the rest of us.

The general idea is that if, for instance, you built a new house (or renovated an old one), thus creating employment that radiated through the economy, you would get a home mortgage deduction. But if you bought an old home, which involves no investment in the productive economy, you would not. Imagine the effect on the housing market if nine or ten new homes were built for every three or four traded. The supply would rise and soaring housing prices might well stabilize—or fall.

Another example: if a company borrowed money to open a new factory or develop a new product, it could write off its interest payments. But if it borrowed money to acquire another company, it could not.

Not all rearranging of existing assets is unproductive, but enough of it is that pie-enlarging must take precedence over the pie-slicing that has come to dominate economic activity. As Harvard's Robert Reich points out, the fact that productivity has declined and conglomerate mergers have increased during the same 15-year period is hardly coincidental. Reich, Lester Thurow, and others have pointed to the need for the government to design policies that reward businesses that are more growth-sensitive and less dividend-sensitive; in other words, more focused on long-term productivity and less focused on short-term profits.

Gary Hart, taking on the capital formation problem, has a sensible proposal for something called "New Capacity Stock," which would be exempt from capital gains tax on its first resale, and would be issued only to raise revenue to pay for new plants, new equipment, or new research and development.

Another pie-enlarger concept is investment in "human capital," which is a hokey way of saying we need better education. It's a defense matter—the Soviets are training twice as many scientists and engineers each year as we are—but it's also a critical economic issue. Making American education work better requires not just more money, but higher quality teachers and tougher performance standards. That means taking on the teachers' unions and colleges dedicated to perpetuating incompetence in the classroom (see "The Class War We Can't Afford to Lose," June). Bad teachers drain "human capital" as surely as unproductive investments drain other kinds of capital from the economy.

7. More Government Control

Monetarists believe inflation is caused by too rapid an expansion in the money supply. A more logical and sophisticated analysis suggests that this expansion of credit is just an accommodation of inflation elsewhere in the economy, and that if we don't do anything about these root causes of inflation, we can inhibit the disease only in a temporary and crude way—by causing a recession. The root causes aren't hard to figure out.

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They are: the cost of oil (above all else in the 1970s), health, and food; the granting of wage increases without parallel productivity increases; and the institutionalization of inflation through automatic cost-of-living adjustments.

No matter how tight the monetary noose, inflation could easily return, if for no other reason than that OPEC, only recently given up for dead, is about to stage a comeback, featuring price increases of $5 to $6 a barrel. The best defense against oil shock has always been relatively straightforward: reduce imports through conservation, which Jimmy Carter began to do; fill a strategic petroleum reserve, which Carter made a stab at; and plan for standby gas rationing, which he rejected. The last of these may be the most potent weapon against OPEC we could possess. The mere threat of rationing in the U.S. probably would be enough to hold down the world price, but even if the plan actually had to be imposed, it would be a far less painful way to fight inflation than the way we're fighting it now.

The same could be said for a National Health Service, which, contrary to myth, would bring *down* the cost of health care, a sector now eating up nine percent of the American gross national product. Private insurers have shown no ability to contain costs, and the Medicare and Medicaid systems allow hospitals and doctors to set prices, which guarantees higher and higher fees and inflation. Government control of medical costs is the only answer. If you need more convincing, look at Britain. For all its flaws, "socialized medicine" works—which is why even Margaret Thatcher and the Tories support it.

Dramatic increases in commodity prices are considered another culprit in inflation, as are cost-of-living-adjustments. COLAs don't just "keep pace" with the disease, they perpetuate it. These adjustments were designed for people on fixed incomes, but they have spread to every sector of the economy and are routinely granted without regard to the true economic circumstances of the recipients. Federal employees have made out particularly well (with twice-a-year adjustments). But the real income of almost everyone on COLAs has risen faster than inflation.

The way to end the havoc COLAs wreak is, as Stephen Goldfarb has suggested, to give the president the right to rescind them across the board when necessary. That way the 58 million Americans with COLAs who until now have had no stake in fighting inflation would have to join the rest of the sufferers.

Just as the president must have standby authority to impose gas rationing and rescind COLAs. he needs emergency powers to establish wage and price controls. Congress should delegate this authority to the executive. If Congress itself retained it, firms would quickly learn that controls were coming and raise prices in anticipation. Only presidential action contains the element of surprise that's required for controls to work.

And they *can* work—in the short-term. Like rent control that lasts too long, long-term wage and price controls eventually cause distortions in the market. But as a way of breaking a wage-price spiral, they are a perfectly legitimate part of any inflation-fighting repertoire. A myth has developed that the lifting of controls in the early 1970s gave us the serious inflation that followed. While lifting controls naturally caused some inflation, the real reason the rate exceeded its earlier level is more complicated, involving a number of developments, including the 1972 Russian wheat deal and the 1973 Arab oil embargo.

By going after inflation's root causes—and by equipping the president with emergency powers that have some bite—the government can develop a policy that goes beyond simply shutting down the economy.

8. Get the Rich Off the Dole

If the government is going to continue to meet its important obligations, it cannot afford to hand out money to people who don't need it. That seems like a simple enough proposition, but making it a reality requires rethinking a number of programs, starting with social security.

On one level social security is just another income transfer program: the money received by the old comes from the young, not from some nest the senior citizens created for themselves during their own working lives. In that sense, the only difference between social security and regular welfare is that one is paid for through payroll taxes and the other through income taxes. But even if you believe social security is different—that it is "insurance"—the rich still shouldn't get it. The program should be insurance against need. Do you collect from your insurance company if you *don't* have a fire? Then why should millionaires like Rep. Claude Pepper get social security?

According to the congressional budget office,

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simply taxing half the social security benefits of recipients with incomes of more than $25,000 could save $1.6 billion in 1983 and $3.1 billion in 1987. Taxing the whole benefit would obviously double the annual revenue, and imagine what eliminating those benefits entirely could save.

Now imagine what would happen if we eliminated veterans' benefits for people like John Glenn and unemployment benefits for the Carter administration's wealthy senior staff members who applied for relief shortly after leaving office. If we want to have enough money for people who need it, we've got to establish "means tests," not just for some government programs, but for all of them.

9. Get the Poor Off the Dole

Right now there are ten million unemployed, but even after the recession ends many millions will remain jobless. Many economists say that the U.S. shift away from heavy industry and into high-tech will result in a number of years of large-scale unemployment that will affect millions of people who have some skills and are willing to work hard.

Fortunately there's something for them to do. The nation's "infrastructure"—its roads, bridges, transit systems, and sewage facilities—is crumbling. Most cities and states don't have the money to fix these things, and because it's hard to *see* anything amiss until the buckling and bursting begins, deterioration is easy to ignore. But the problems clearly exist, many billions of dollars-worth, and the most affordable way to fix them is to employ workers laid off from other jobs.

Recent public sector jobs programs like CETA haven't worked very well, but earlier experience indicates that when unemployment is severe and the projects well thought-out, jobs programs can be successful. Take the Depression-era Civilian Conservation Corps, which was created by Congress on March 31, 1933. By mid-June of that year, 1,300 camps had been established, and by the end of July more than 300,000 young men were at work, for the most part on sensible projects.

The infrastructure project is not only sensible but urgent. The U.S. Interstate Highway system contains 42,500 miles of roads, at least half of them in serious disrepair after two decades of use. Reports delivered to the Department of Transportation by state governments indicate that fewer than a third of our state roads are in good condition. Some bridges, transit systems, and sewers are in even worse condition.

Aside from getting federal, state, and local governments to fork over the money (which they'll have to do as the problems become more obvious), the biggest obstacle may be the unions. They must be convinced that employing two workers to fix a road at $5 or $6 an hour apiece is better than one worker at union scale. If the unions go along, the project could fly; if they don't, the job creation may have to take place without them.

10. End the Sucker Problem

When it comes to the decline of dynamic American industry, there's more than enough blame to spread around, starting with short-sighted business school managers who flit from one company to another, expending their energies on short-term profit rather than long-term re-tooling. But there's another reason for the decline: wage increases have so far outstripped productivity increases that the company starts to sink of its own weight. This is also a major cause of inflation.

The unions quite logically respond that if they hold down wage demands the money from increased productivity will simply end up in the pockets of management and shareholders, whose compensation is already exorbitant in relation to the company's condition. Why should the union act like a sucker?

In order to eliminate the sucker problem, we have to start looking for solutions like that proposed by Senators Richard Lugar and Paul Tsongas during the 1979 Chrysler bail out debate. Their plan was that instead of a wage increase, workers would get stock, so that if their work and wage freeze helped make Chrysler profitable again, they would share in the rewards.

The unions rejected the plan and it failed in the Senate, but the idea is an essential one for the future of American industry. Getting a grip on inflation and productivity problems requires wage restraint, and wage restraint requires that workers be promised the possibility of some future payoff. Its a fair deal for labor and management, and one they had better start making soon. ■

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Richard Reeves on Tocqueville's Trail

Democracy in America, Reconsidered

Louisville

"Freedom was a lie. . . "

Louisville, Kentucky, struck a chord for Alexis de Tocqueville—the town on the river was named for Louis XVI. The Frenchman, who had never planned to stop there, had his notebook ready and started talking. "Mr. McIlvaine, one of the greatest merchants of Louisville," was one of the Americans he interviewed there. John Brent McIlvaine, a wholesale grocer and, later, a general merchandiser, from Maysville, Kentucky, was 30 years old when he met Tocqueville, having begun working as a 14-year-old clerk in a dry-goods store. This is some of what was said:

"Q. I am told that the prosperity of Louisville has shown great progress in the last few years?"

"A. Immense. When I came here to settle seven years ago, Louisville had only 3,000 souls; there are 13,000 today. . . . Louisville is becoming the emporium of almost all the merchandise coming up the Mississippi to provision the emigrants. I believe Louisville is called to become a very large city."

Settled originally in 1778, it became a city of 390,000 souls. That was in 1960. Since then, with its municipal boundaries fixed around 65 square miles on the Ohio, the city itself has steadily lost population to its own suburbs. By 1980 fewer than 300,000 people lived in Louisville, while the population of the metropolitan area, which reached across the river into Indiana, had reached more than 900,000, an increase of almost 200,000 since 1960.

"There really aren't that many substantial local merchants here anymore," said Barry Bingham, the newspaper publisher. Most of Louisville's large stores and businesses were, like its beer now, branches of national and multinational corporations. Falls City Beer recently had been bought out by G. Heilman Brewing Companies of La-crosse, Wisconsin, the country's fourth-largest beer company; its biggest beer was Blatt's, and it made more than 40 "local" beers, including Falls City, saying it could chemically reproduce local formulas and waters. While I was in Louisville, the equipment that was being used to make the beer in the old brewery on West Broadway was being dismantled for shipment to the Philippines. "The managers of the stores and factories come and go, to and from other parts of the country," Bingham said. "They don't really touch life here."

People were leaving Louisville at the rate of perhaps 75,000 every ten years. Thirty thousand different people were coming in—for a while. When I asked Bingham and Wilson Wyatt whether there really was a separate place named Louis-

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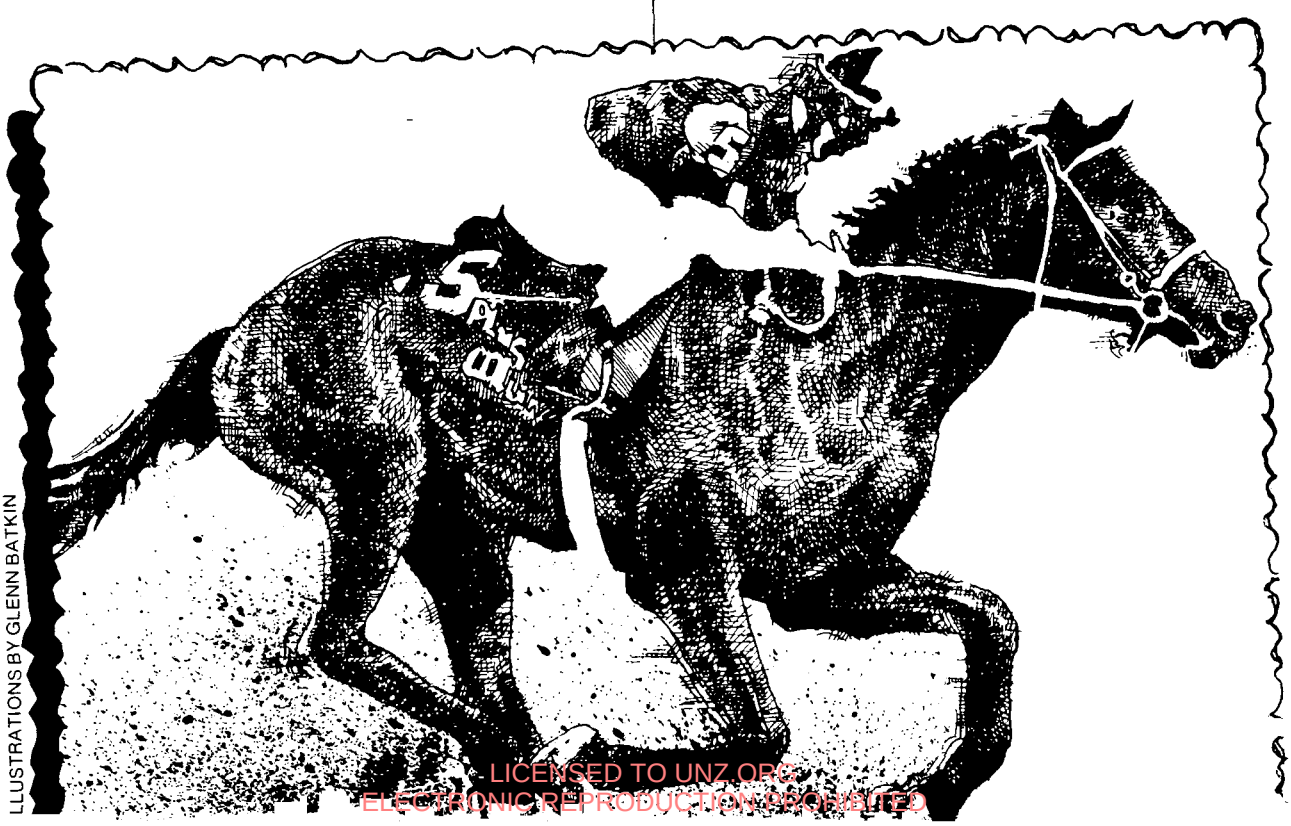
ville, whether people considered themselves part of that place, both men, both over 70, answered, "Oh yes!" They figured that 95 percent of the people in Louisville were "from someplace around here." When I asked the same question of prominent Louisville businessman Dann Byck, in his early forties, and his wife, Marsha Norman, at 31 considered one of America's most promising dramatists, they said that more than half the people they knew in Louisville came from other parts of the country. Byck's 17-year-old daughter, Amy, said only a quarter of the people she knew came, originally, from Kentucky. When Byck, out of curiosity, tried to trace the family of John Brent McIlvaine, the "greatest merchant" who talked with Tocqueville, he found only one "McIlvaine" listed in the area telephone books. He called and asked the woman who answered, "Has your family been in Louisville a long time?"

"Yes," she said. "We came here six years ago from Pittsburgh."

"Instant roots" was a phrase used by Ruth Clark of Yankelovich, Skelley & White, who had done readership studies for the *Courier-Journal*. "We often find," she said, "that the people most interested in local news have just moved to a new area." When the McIlvaine family came to Louisville from Pittsburgh, they may have been intensely interested in how the place worked, how it was different from Pittsburgh. It doesn't look different. Not much does in America.

"This may sound trivial," said Barry Bingham in one of our conversations, "but one of the greatest changes I've noticed in my lifetime is the erasing of distinctions between rural and city people. Country people used to look and talk differently, probably thought differently. Now you can't tell the difference—education, travel, television, I guess."

It did not sound trivial at all to me. I had found the differences in Americans, no matter how fervently celebrated locally, overwhelmed by the similarities. The sameness of tract homes, shopping centers, and hamburger stands—man's contributions to the countryside, rural and urban, northern and southern, eastern and western—seemed a deliberate, if unconscious, defense against the trauma of mobility. Most Americans moving away do not have to go to a strange place. There is relocation without dislocation—the highways built to the rigid specifications of the federal government, the homes built from efficient standard plans, the hamburgers prepared to a juiciness determined in Chicago by market research. It is not new, it is progressive—and inevitable. "The man you left behind in the streets of New York," Tocqueville wrote in an essay, "you will find him again in the



ILLUSTRATIONS BY GLENN BATKIN

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midst of almost impenetrable solitudes: same dress, same spirit, same language, same habits and the same pleasures."

"The time must come," he wrote in *Democracy in America,* "when there will be in North America 150 million people all equal one to the other, belonging to the same family, having the same point of departure, the same civilization, language, religion, habits, and mores, and among whom thought will circulate in similar forms and with like nuances. All else is doubtful, but that is sure."

The number was a little low and it has not happened yet—not quite yet. People will always strive to differentiate or define themselves by where they live, or what they read, or how they worship, and fortunes are still being made by people figuring out new ways in which Americans differ—usually to identify a group that will buy something if they know about it. Coming back from Louisville, I met a "management consultant," James Kelly, who worked out of Boston. He was, he said, helping to prepare a plan for the American Telephone and Telegraph Company, the national telephone monopoly, to reorganize along "market" rather than geographical lines. "Market" was a euphemism for "demographic"—to one of America's largest institutions it would not matter at all whether the McIlvaines were in Louisville or in Pittsburgh. Mrs. McIlvaine would be defined in terms of how much money she was capable of spending on personal and professional communications services.

In my notebook on one of those cold days along the Ohio River, I wrote and underlined: "There is no Louisville." It was too flat a statement, but I was not surprised when I learned, in May of 1981, that Dann Byck, the natural inheritor of local leadership, had moved to New York City.

Montgomery

"Those Words Are America . . ."

"I have just made a fascinating but very fatiguing journey," Tocqueville wrote to a friend from Norfolk, Virginia, after a 12-day trip across the South from New Orleans, "accompanied each day by the thousand annoyances that have been pursuing us for the last two months: carriages broken and overturned, bridges carried away, rivers swollen, no room in the stage; these are the ordinary events of our life."

It was easier 147 years later. I drove to the New Orleans airport. . . and I came upon a scene that seemed very much part of the ordinary events of modern American life. Three small boys were lined up against the wall at a Delta Airlines gate. They were frightened and confused, trying to reassure one another in French. Only the oldest one, about 12 years old, spoke any English, and he finally understood that the uniformed security guards—placed there by orders of one of the federal government's aviation agencies—wanted his little brother to surrender his plastic flashlight. The thing was shaped like a toy pistol, a derringer.

"Aren't you overreacting?" asked the pilot of a Delta jet. One guard, a woman assigned to the doorway-shaped metal detector, looked up for a moment and said: "We've got rules here!" So we do. Everywhere. A foreigner traveling this route, seeing guards and gates at so many doors, might have guessed that he was in a police state. In a way he would be right. There was a private police state growing up around me—blank-eyed men and women in uniforms of many colors, plastic identification tags, television cameras in halls, barbed wire along fences, hand-held, two-way radios, and mysterious buzzers and beepers on walls and on hips. In *New Orleans* magazine, the glossy chronicle of the city's white life, amidst page after page of advertisements for expensive restaurants and perfumes there was an ad showing a woman posed beside a metal shutter. Its message began: "Available in many decorator colors, BURGLARY PROTECTION. No need for burglar bars because Reel Shutters give you excellent burglary protection. . . ."

In Louisville, while I was there, the city's Free Public Library announced the completion of a $50,000 system to summon guards electrically if patrons attempted to leave the building without going through the normal check-out procedure. The library's traditional honor system was abandoned only after the theft of 80,000 of the 400,000 volumes in the main branch—one out of five books was gone. There did not seem to be enough honor in Louisville. There was not enough peer pressure. Old religions were losing their frightening, disiplining grip—and that was part of the reason for the panic in the voices of many of the radio preachers who accompanied me across the South. Whatever happened to "Thou shalt not steal"? Perhaps the same thing that was happening to "Honor thy father and mother"? And what was replacing those old things?

Laws. Rules. Detectors. Guards. "There is also the increasing tendency of American society to be governed by regulation," Richard Thigpen had

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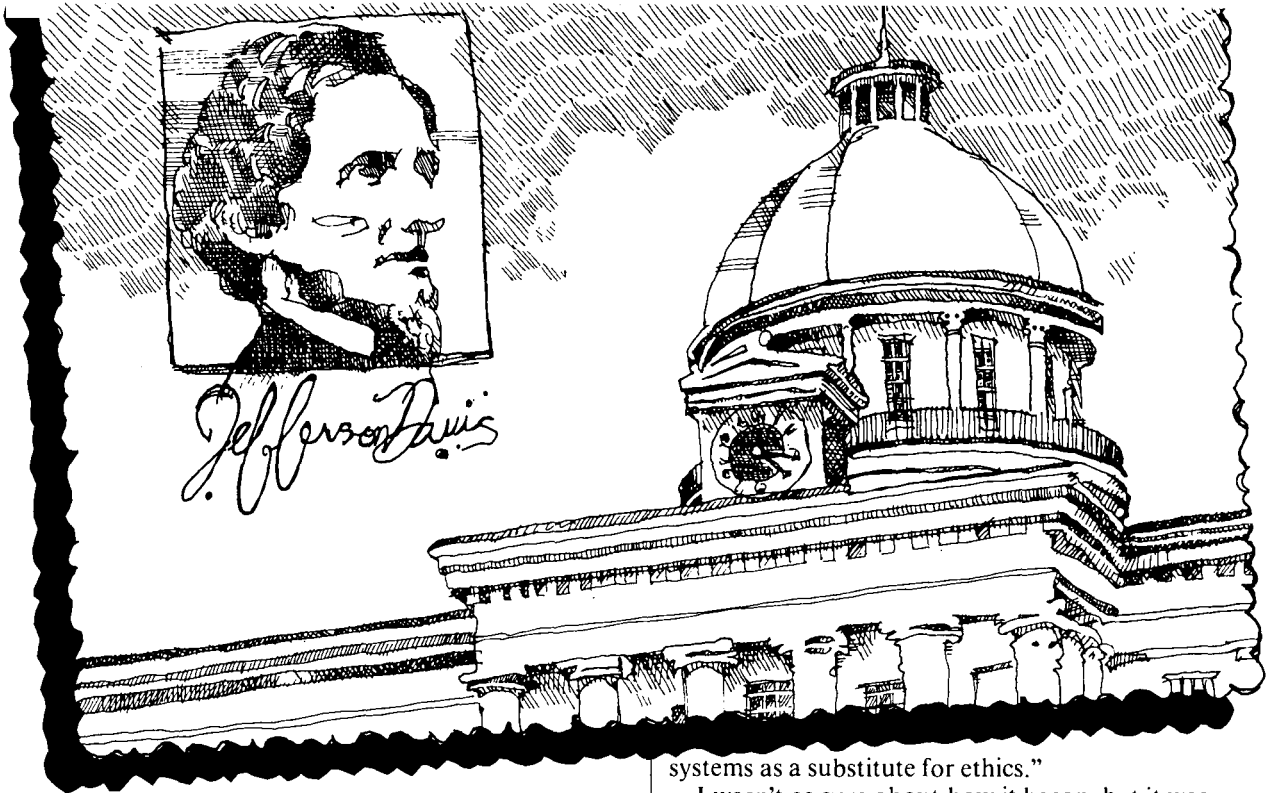

said in his speech to the new lawyers of Alabama. "It has been estimated that each year the state legislatures and the Congress pass an estimated 150,000 bills. More importantly, however, it also has been estimated that, for each piece of legislation passed, there are promulgated by agencies of our growing bureaucracy ten regulations for each bill, or a total of one-and-a-half million regulations per year." Stephen Lemann, the attorney who wrote the charter of Total Community Action, New Orleans's antipoverty agency, had told me: "The book of regulations for employing low-level workers was about eight inches thick and almost all those regulations were designed to prevent anyone from stealing a penny."

The matter of pennies unstolen made for a petty ethic—and that was a subject that kept coming up as I traveled. In New York City, Dr. Eugene Galanter, director of the Psychophysics Laboratory at Columbia University, linked the modern vigilance with the confusing after-effects of the democratic decision to transfer some of the honoring of fathers and mothers to the state. "The country changed profoundly when people accepted social security and the idea that they weren't responsible for their parents anymore," he said. "We dropped something that had been accepted over thousands of years. Our way of dealing with that decision as an ethical question was to make sure that people didn't steal money from nursing homes. We put in new accounting systems as a substitute for ethics."

I wasn't as sure about how it began, but it was obvious that the web of regulations, public and private, was a substitute for morality—nets intricately woven to catch people and to hold them within limits once defined by religion, by common morality, by tradition or just snoopy neighbors. By trust. And I was also pretty sure I knew how it ended. Three days after I saw that little scene in the New Orleans airport, an air force sergeant named Laurence Chamberlain, a black man, drove into the town of Raton, New Mexico, in a snowstorm. He was out of gas and out of cash because of car repairs he had paid for as he drove from a military base in California to another in New Mexico. The three banks in Raton refused to cash a check from Chamberlain's California bank. Security regulations, they said politely. No out-of-town checks cashed. Chamberlain slept in his car that night; the temperature in Raton dropped to six degrees above zero. His wet feet froze, and ten days later, because of the frostbite, both his feet were amputated.

Rochester

"Democratic Commerce and Commercial Democracy"

"I admit," Tocqueville would write in *Democracy in America*, "that I do not feel toward freedom of the press that complete and instantaneous love which one accords to things by their

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nature supremely good. I love it more from considering the evils it prevents than on account of the good it does."

And, he went on, the evils the press itself might generate were small and many, because the newspapers themselves were small and many. "Starting a paper being easy," he wrote, "anybody may take to it; but competition prevents any newspaper from hoping for large profits, and that discourages anybody with great business ability from bothering with such undertakings."

He should have known better. This was America, the land of breathless cupidity. Someone with great business ability was bound to figure out a way to make large profits in the newspaper business. In fact, Americans did it just 30 miles from Canandaigua, New York, where Tocqueville had stopped.

Rochester likes to call itself America's first boomtown. And it was just that when Tocqueville passed by; from 1820 to 1830, the population of the town on the Genesee River had grown from about 150 to more than 15,000. When the Erie Canal opened in 1825, Rochester attracted entrepreneurs from New England and England, and from Germany. Hard-working Calvinists, they built and ran mills using the water power of the falls of the Genesee to grind local wheat into flour for shipment down the canal to New York City.

What Rochester did was commercialize American agriculture. Then, beginning in the 1880s, it commercialized photography. George Eastman, a local bank clerk who was an experimenter and a marketing genius, made a fortune by developing cameras and film for the masses. "KODAK" was the trademark; he created it to be understandable in any language.

In the 1950s, it was xerography, a dry-copying process that made it possible to reproduce printed material. A Rochester businessman, Joseph C. Wilson, developed a huge corporation, Xerox, around the almost-forgotten 1938 experiments of a New York inventor named Charles F. Carlson.

In the 1970s, it was newspapers. Using Rochester's morning paper, the *Democrat and Chronicle*, and a couple of smaller upstate New York papers as his base, Frank E. Gannett and the Gannett Corporation, founded in Elmira, New York in 1906, began the process that eventually mocked Tocqueville's conclusion that competition prevented newspapers from hoping for large profits.

Gannett commercialized newspapering, as Rochester's flour mills had commercialized agriculture. The method was simple: avoiding competition. Gannett swept and reswept the country, picking up small papers in one-newspaper towns, in Wausau, Wisconsin, in Marietta, Georgia, in Coffeyville, Kansas. Like most other large companies, Gannett had its own geography. Its maps were different from the ones used by government. One internal memo to the president of Gannett, Allen Neuharth, that I happened to come across

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in Rochester said: "El Paso, Santa Fe, Tucson, and San Bernardino are viewed as an area that can be grouped together for coverage." The cities, almost 1,000 miles apart and in four different states, apparently looked the same to the senders of the memo, a committee of the corporation's managing editors.

During the 1970s, Gannett's chain grew from 36 to 82 newspapers, total circulation more than doubled to 3,580,000, earnings increased by 486 percent. With Gannett as the model, two thirds of the country's 1,769 daily newspapers—compared with 2,500 dailies in 1900—were owned and operated by chains. If Tocqueville and Beaumont had made their journey to America in 1981 instead of 1831 and read the newspapers in each place they passed through—as they did—they would have seen 28 Gannett papers.

When I saw him in 1980, Allen Neuharth had been president of Gannett for ten years; in 1979 he was paid $1,160,000 in salary, benefits, and stock options as both president and chairman of the board. His office was in Rochester, but that did not necessarily mean he was always or even usually there. He used four private jet planes to travel more than 300,000 miles a year, a hundred times across the United States, often looking for or negotiating for new properties. Both the office and the man seemed quite extraordinary to me. The room, starkly modern, was controlled by a console at Neuharth's left hand—doors opened, walls moved back and forth, revealing charts and television monitors. The man himself had, for years, dressed only in black, grays and white—associates called him "The Black Prince"—in suits and shirts that practically shone. Eight pairs of sunglasses in a neat row were the only objects on his huge, semicircular desk as we talked. I could have been interviewing the captain of a space ship.

"Our business is the sale of news and information," he said. "That includes shopping information. Store news. Other than that we provide diversity according to the wants and needs of our readers." He emphasized the word "wants," adding: "Our papers are edited in response to the wishes of our readers."

Do the newspapers educate the public?

"We may have a bit of a role in educating the public," he answered, "but not so much that it gets in the way of the information they want and will pay for."

Very American. Very democratic. "Yes," Neuharth said. "I believe the country is becoming more democratic. You have to give people what they want if you're going to pay the rent. And the

The Washington Monthly Journalism Award

for April 1982 is awarded to

Jeanne and George Allardice
The Clinton Enquirer

Nothing a government does is as important as how it chooses to spend the taxpayers' money. Yet budgetary matters, particularly on the local level, are usually decided by bureaucrats and elected officials with little public involvement.

Not so in Clinton, Connecticut, thanks in part to the *Clinton Enquirer*. Each spring this small magazine prints its community's annual budget. The *Enquirer* doesn't stop with the largest figures; it prints everything from how much dog food the dogcatcher uses to the salaries individual teachers and policemen receive. By encouraging people to familiarize themselves with the details of how government operates in their own community, the *Enquirer* has set a highly useful example for other papers.

For further information: The Clinton Enquirer, P.O. Box 14, 11 Woodland Drive, Cinton, CT 06413.

###

The Washington Monthly wishes to recognize the writers and publishers who share our purpose of trying to describe how the political system really works, to determine why it succeeds, and why it fails; and to suggest ways in which it might be improved.

The **Monthly** Journalism Award is presented each month to the best newspaper or magazine article (or series of articles) on our political system. Nominations from any newspaper or magazine in the country are welcome. The subject can be government in its federal, state, or municipal manifestation.

The award for articles published in July will be announced in the October issue. Nominations will close August 13. Nominations should be accompanied by two copies of the article or articles.

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newspapers that survive are the ones that pay the rent. We have to give people what they do not get from all those other things they read and watch.

"We are not, however, democratic in business. I would prefer to do a modestly responsible and professional editorial job—our newspapers, I think you'll find, are better than they were under their old owners—but this is, first, a business to make money. We dictate—I hate to use that word—we dictate all things concerning internal business policy, advertising rates, purchasing of equipment, things like that."

"If one of your editors," I asked, "was meeting all business projections, bottom-line profit, and the rest, and following your internal procedures, but was taking an editorial line you found objectionable, what would you do?"

"Fire him. That's not our kind of journalism."

"Our expanding empire" is one of the ways Gannett executives referred to the company in internal memos. "There is no reason," Neuharth said as we talked, "why Gannett can't be the biggest communications company in the world." To what end? He was once asked how to pronounce the name of the company: was the emphasis on the first or the second syllable of Gannett? He replied: "Money!"

Alexis de Tocqueville, the elegant young Frenchman worrying that elegance itself might not survive democracy, had been appalled by American newspapers from the moment he first saw an attack on that "heartless despot," President Jackson. He concluded that "the hallmark of the American journalist . . . [was] a direct and coarse attack, without any subtleties, on the passion of his readers; he disregards principles to seize on people, following them into their private lives and laying bare their weaknesses and their vices."

That passage appeared near the middle of the first volume of *Democracy in America.* Yet some 300,000 words later, in the final pages of his great work, Tocqueville wrote:

"In times of equality each man is naturally isolated. He can call on no hereditary friends for help nor any class whose sympathy for him is assured. He can easily be set upon alone and trodden underfoot. Nowadays an oppressed citizen has only one means of defense: he can appeal to the nation as a whole, and if it is deaf, to humanity at large. The press provides his only means of doing this. For this reason freedom of the press is infinitely more precious in a democracy than in any other nation. It alone cures most of the ills which equality may engender. Equality isolates and weakens men, but the press puts each man in reach of a very powerful weapon which can be used even by the weakest and most isolated of men. Equality deprives each individual of the help of his neighbors, but the press enables him to call to his aid all his fellow citizens and all mankind . . . .The press is, par excellence, the democratic weapon of freedom."

Overt government moves against a rowdy and inconvenient press were greatly inhibited by the First Amendment to the Constitution—"Congress shall make no law . . . abridging the freedom of speech, or of the press"—but as the press became just another business, branching further and further afield from journals of fact and opinion, it was voluntarily moving under the comforting and threatening umbrella of federal power. I got the impression from talking with Neuharth that Gannett was also considering moving its headquarters to the base of the umbrella—from Rochester to Washington, D.C., or its suburbs. That would be a blow to Rochester—not a boomtown anymore—whose population had declined from 332,000 to 241,000 from 1950 to 1980. But, I thought, it would also dramatize something about Gannett's links to its cities—and the local dangers of chain journalism.

The old publishers and editors bought out and moved out by Gannett and other chains all across the country were often stupid, lazy, biased, or dishonest. Sometimes they were all those things and worse. Neuharth was essentially accurate in saying that his chain "improves" the papers it buys—at least in the sense of making them more professional. But the old-timers had a stake in their communities that would not be shared by upwardly mobile strangers.

Gannett's company magazine, the *Gannetteer*, ran a feature story on one of their people—Gary Watson, 35 years old, who was becoming publisher of the Rockford, Illinois, *Register Star* after three years as editor of the chain's papers in Springfield, Missouri, and before that, three years as editor in Boise, Idaho. The angle of the inspirational little story on Watson was that he was going home—he had grown up in Rockford and actually once worked for the *Register Star*. But hometown boy or not, Watson would be a failure if he stayed long back in Rockford. The idea was "up or out." If he succeeded in Rockford—success being defined as meeting Gannett's projections for a record fiftieth straight quarter of record profits—Watson would be moved up in the Gannett empire, perhaps to Cincinnati, Ohio, to Wilmington, Delaware, to San Bernardino, or to El Paso. It didn't matter where; it's all Gannett.

But what would Watson do if local advertisers threatened to boycott the *Register Star* if it pub-

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lished stories on, say, a pattern of avoiding state taxes on commercial receipts? The old publishers, for all their faults, were a permanent part of a local power structure. One of them might lose some money over an editorial or a journalistic principle, but he knew that in the long run, local businessmen had to come back. In a monopoly market, the merchants had no choice; there are always many local businesses and services that have no other practical advertising medium. A Gannett publisher, on the other hand, would have to think long and hard before alienating any business advertisers. Even a short boycott or shortfall of advertising would destroy his paper's and the company's monthly profit and growth projections—and thus his career.

New York

"The American Dream Self-Destructs. . ."

"Americans don't serve most of the purposes of American industry anymore." The speaker was Robert Schrank, a foundation official who had both done and thought about work, having been a laborer, plumber, and machinist before moving on to lesser physical exertion as a union official and sociologist. "The dirty little secret is that people don't like to work. There is no intrinsic desire or drive to work. Americans want jobs—jobs provide status and social connection and interaction for many people—but they don't want to work. That's what I learned in factories, in mines, in fields. Without the Calvinist belief that work leads to salvation—and that ethic is fading—and the real financial necessity—and the welfare state is taking care of that—it will become harder and harder to motivate people to do the dirty work and the make-work that the society is generating to keep itself busy. It takes only 40 or 50 million people to keep the United States running."

Money aside for a moment, why do people do the dirty work? "I've asked that question all over the world, and the answer is always the same," said Schrank, a project officer with the Ford Foundation, which was originally supported by some of Henry Ford's fortune. "In Detroit or in Moscow, people say they are willing to do what they are doing so that their children won't have to. 'My kids are never going to do this—never, never.' That's the answer I get."

Others less pessimistic than Schrank also noticed disturbing changes in American attitudes towards work. "We have no trouble getting good

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workers in most parts of the country, what we have trouble doing is meeting their expectations of what the work will do for them," said Jeremy Jacobs, the president of Sportssystems, in Buffalo. The company, owned by his family, had 10,000 full-time employees, most of them working at concessions at racetracks and ballparks, selling anything spectators would buy. "They have to be enjoying what they do or they won't do it. They simply leave. . . . As far as I can tell, there are many people who don't have to work. We've removed the necessity for working. There are government programs to take care of people, but I'm also talking about people who have removed the burden of other people from their lives. Young people, both counter clerks and executives. They're single. They have no families. They move on, looking for something—I don't know what."

They are the children of the "new values"—the Post-American Dream Americans. They were the people Yankelovich, Skelly & White were trying to define. "If you had to isolate one value of these people," said Ruth Clark, vice president of the New York research company, it might be: 'I'm as important as my children are—if I choose to have children.' "

"The underground economy, entrepreneurs hustling for themselves, is probably the closest thing you'll find to the economy Tocqueville saw," Schrank said. "I would guess that 90 percent or more of Americans were self-employed when he was here, in the 1830s. Now we love to talk about entrepreneurship, but it's declining. Except on the streets."

The Ford Foundation's offices are on 42nd Street, near the United Nations buildings, and when I left Schrank I walked north along Lexington Avenue on an eccentric little errand. I had left my pipe at home and wanted to buy an 89-cent corncob. Stopping in a dozen little stores along ten blocks of the avenue, I could not find anyone who spoke English well enough to deal with the words "corncob pipe"—Greek, French, Chinese, and Arabic, but not English. The streets of the city where I was born were alive again with accents—as they must have been 80 years before, when immigration to the United States was at a peak—and alive with enterprise. The underground economy was not only visible on the East Side of Manhattan, it was clamoring for attention with the calls of southern Europe and northern Africa, of Latin America. Outside the doors of the most fashionable stores in the city, young men pressed you to buy handbags, gloves, belts, perfume for a third of the prices advertised inside.

New York, the most arrogant and boastful place in a country stinking with conceit, seemed to be coping with its own decline—sporadically thriving on it. Why? How? The answer—part of the answer, anyhow—was right there on the streets. The entrepreneurs, the storekeepers, the peddlers, the taxi drivers, the janitors—people making their own work and doing the dirty work—were immigrants. They were the kind of people that Mayor Ed Koch and his cronies had bragged that their parents and grandparents were when we all told our American stories one night at Gracie Mansion.

The languages, the accents, and the numbers were astounding; the impact on New York was impressive. "They're tremendous. They're wonderful," Koch said. "I love them. They're great family people, dedicated to hard work. . . . They're almost all working, and from what we hear they are keeping what's left of the garment industry here. These are people who make their kids do homework—they're probably responsible for the better test scores. This is what New York must have been like at the turn of the century."

Are they in the United States legally?

"Who knows?" he said with a shrug. He might have added: Who cares?

At the beginning of that year, 675,000 citizens of other countries—resident aliens—had registered at post offices in the city's five boroughs. Those were the legal aliens who bothered to fill out annual government forms. Obviously there were others who didn't. Then there were the illegal aliens, foreigners who in one way or another had slipped into the United States—not hard to do in an open society. The mayor's office estimated that there were 750,000 of them.

In total, there may be two million foreign-born residents of New York City—chasing the American Dream. If history repeats itself, some will stay and some will move on to other parts of the country, following the dream. A few will go back.

That's the way America is supposed to work. For many years and many people it has; for many, it still does. But the Dream needs dreamers. It cannot sustain itself with autoworkers who demand more money as revenge for the mechanized indignities of their work lives, or with students hoping to redefine ambition to suit personal dreams of life without sacrifice. The American Dream always needs new Americans—and they can be made very quickly, from Englishmen, from Poles, from Mexicans. The ideas of America are just that powerful. So far, for most of the people most of the time, there seems to be nothing better than life, liberty, and the pursuit of happiness. ■

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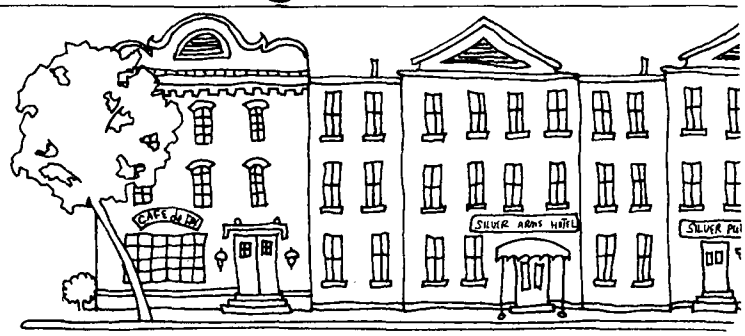
Where to Stay in Washington



Bargain Hotels

Even if you're not on an expense account, you can still afford to visit Washington—if you stay in one of the places listed below. They range from barely acceptable to really quite nice, so choose according to your tolerence level as modified by your current bank balance.

The Allen Lee, *2224 F Street, N.W. (202) 331-1224.* This hotel has seen better days—worn carpets, peeling paint here and there, and the communal baths are not as sparkling as one might like. But if you can put up with that, it is within easy walking distance of the State Department, George Washington University, and the Kennedy Center, and the rates take the minuses into consideration. Rooms with bath: Single, $23-26; double, $29-30. Without bath: Single, $17-20; double, $24-25. Cots are $3 additional. Except on Sunday, when there are free donuts and coffee in the lobby, you have to venture out for your meals. There is no hotel parking, although a garage is nearby.

The Connecticut Inn, *4400 Connecticut Avenue, N.W. (202) 244-5600, (800) 424-3729.* Away from the center of the city, about one mile from the Maryland border, the Inn is essentially a motel, with parking at only $2 a night. From the subway stop two blocks away you can be downtown, on Capitol Hill, or the Mall in 10 to 15 minutes. Singles are $39, doubles $49, and children under 16 are free. Additional adults in rooms are $10 each. There are no eating facilities in the hotel, but several restaurants are a short walk away.

The Farragut West, *1808 I Street, N.W. (202) 393-2400.* Washington hands may remember this as the old National Hotel and will be pleased to know that the new owners are giving it a facelift. They've still a ways to go, but the renovated rooms are quite pleasant and much of the hotel's old character is being retained—the marble floors, narrow hallways, and a brass-doored elevator that's been run by the same fellow for 50 years. You can't beat the location—just off the Connecticut and K business and shopping district, where many of the finest restaurants in the city are also located, and a subway stop right across the street will take you almost anywhere else. There is no restaurant in the hotel, but two nearby will deliver to your room. Singles, $33-38; doubles, $44; triples, $55. On weekends, a two-night stay is $53-61, single; $70.50 double; $88, triple. Additional persons in a room are $10 each and children under 12 are free. The Farragut provides free tourmobile tickets as well as a ten percent discount at the Farragut Valet, the hotel's neighbor—and owner.

The Hotel 1440, *1440 Rhode Island Avenue, N.W. (202) 232-7800.* The 1440 is definitely in the running for the cheapest hotel in town award, but you pay for what you get, which isn't much—it's in a transitional area a few blocks from downtown, many of the rooms are without air conditioning or private baths, and the overall atmosphere is somewhat shabby. Rates range from $17 to $23, single, and $6.50 for each additional person in the room. The highest priced rooms have air conditioning, private baths, and a small kitchen area. You can stay for a week for $77, and students get a 15 percent discount. Complimentary coffee is served in the lobby, but there's no food service in the hotel.

The Harrington, *11th and E Streets, N.W. (202) 628-8140, (800) 424-8532.* The Harrington is in what used to be downtown Washington, just a few blocks from the Pennsylvania Avenue redevelopment area and the Federal Triangle, and is a block-and-a-half from a stop for both subway lines. The Harrington's biggest attraction is the Kitcheteria, a cafeteria where you can get all three meals and home-baked breads and pies at incredibly low prices. There's also a snack shop—the Beef and Roll—the Pink Elephant Bar, and five rooms for meetings. Singles, $28-30; doubles, $40-42. There are family rooms for up to four people at $40-45. Parking is free.

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The Hawthorne, *2134 G Street, N.W. (202) 338-7810.* The Hawthorne is the 1440's sister hotel. Although its location is more desirable—in Foggy Bottom, right on George Washington University property—the facilities and condition of the hotel are no more up to snuff. The prices are the same as the 1440's: $14-25 for a single, and $6.50 for additional persons in the room.

The Presidential, *900 19th Street, N.W. (202) 331-9020.* While it shares with its neighbor, the Farragut West, the convenient location, the Presidential is larger, and lacks the atmosphere and ambience. Singles, $28; doubles, $36; suites, $50. Additional adults in rooms are $5, children under 13 are free. There's no parking at the hotel, but a garage is nearby. With no restaurant in the Presidential, we recommend Sholl's cafeteria, around the block at 20th and K Streets, where you can get home-style cooking served up by white-uniformed Aunt Minnies, who know how to keep the line moving.

The Rock Creek Hotel, *1925 Belmont Road, N.W. (202) 462-6007.* An off-the-beaten track hotel in the residential area of Adams-Morgan, a neighborhood of Victorian townhouses and early 20th-century apartment buildings that is in the midst of renewal and renovation. It's now the Hispanic center of Washington, and you'll find over a dozen restaurants, from greasy spoon to white-tablecloth, featuring the specialties of their Latin American owners' countries. Singles, $30; doubles, $34; suites (with kitchens) $40. There's a $4 charge for additional persons in a room, including children. The hotel cafeteria serves breakfast and lunch at very reasonable prices. Parking is free.

The St. Charles, *1731 New Hampshire Avenue, N.W. (202) 332-2226, (800) 424-2463.* If you can afford just a little more, this is the place to stay. Formerly an apartment building, the St. Charles is located just north of Dupont Circle. All rooms have a small pantry area with refrigerators and sinks, and about one third have stoves as well. The rooms are simple, but very attractive. Singles, $39-45; doubles, $49-55; suites, $69. Weekends: Singles, $29; doubles, $39, per night. Weekly rates are $150 single and $175 double. Children under 16 are free, additional adults are $10 each. Jimmy K's Gourmet Deli, right in the hotel, serves all three meals, New York deli-style and at very reasonable prices. Three meeting rooms can handle groups of up to 75. Parking is free.

Washington Circle Inn, *2430 Pennsylvania Avenue, N.W. (202) 965-6200, (800) 424-3754.* Although the rates have gone up, the inn remains a bargain because you still get a lot for your money. It's walking distance to Georgetown and Foggy Bottom and a subway stop. The rooms are large—all have fully equipped kitchens, and living and dining areas. Free Home Box Office and continental breakfast are included in all room rates. A studio suite is $49-55, single; $59-67, double; and on weekends, $39 a night, single or double. One bedroom suites are $70-75, single, and $82-87, double. Children under 16 stay for free; an extra adult costs $10. Parking is $4.50 a night. Three meeting rooms accommodate up to 75 people.

Some of Washington's luxury hotels, whose prices can be prohibitive, offer very attractive specials on the weekends after the expense-account crowd goes home:

The Capitol Hill, *200 C Street, S.E. (202) 543-6000.* $44 a night on weekends, single or double. All rooms have fully equipped kitchens and are quite spacious, not to mention elegant. **General Scott Inn,** *1464 Rhode Island Avenue, N.W. (202) 333-6700.* The 1776 Weekend offers a one- to three-night stay on the weekend at $17.76 per night, double occupancy. **Georgetown Hotel,** *2121 P Street, N.W. (202) 293-3100, (800) 424-2884.* $39-55 single or double on the weekend. All rooms have fully equipped kitchens and sleep sofas. The hotel also has a pool, sauna, and exercise room. **The Capitol Hilton,** *1001 16th Street, N.W. (202) 393-1000.* For $29.99 per person per night, double occupancy, the hotel provides a room and tourmobile pass. This rate is also effective every night of the week during July and August. **The Highland Hotel,** *1914 Connecticut Avenue, N.W. (202) 797-2000, (800) 424-2464.* Weekends: two people for two nights in a suite for $90. **Sheraton Washington,** *2660 Woodley Road, N.W. (202) 328-2000, (800) 325-3535.* If you ask, you can get a room any day of the week, year-round for $27.50 per person. The weekend package is $99 per person for two nights plus perks. **The Shoreham,** *2500 Calvert Street, N.W. (202) 234-0700, (800) 228-2121.* The weekend package includes two nights and breakfast for $94, single, and $104, double. A three-night package with breakfast, is available during the week, all year, at $129 single, $144 double. **The Hyatt Regency,** *400 New Jersey Avenue, N.W. (202) 737-1234.* All rooms are $58, single or double, on Friday, Saturday, and Sunday nights. **One Washington Circle,** *1 Washington Circle, N.W. (202) 872-1680.* A couple can stay in this all-suite hotel for three days, two nights, and enjoy an evening at the theater, for $138.

—Donna Fenn

"FOR MONTHS before his journey, the liberal press had been grooming Graham for a starring role as a convert to enlightenment. But like Gerald Ford liberating the Poles or Jimmy Carter smooching Brezhnev, Graham overdid it. Worst of all, from the liberal point of view, the affiar forced the media to focus directly on all those facts about the Soviet persecution of religion that the liberal sensibility tries to evade."

For a free copy of the current issue of National Review, write to Dept. W-5, 150 East 35th Street, New York, New York 10016.

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Who's Who in the Administration

For years, ambassador Guillermo Sevilla-Sacasa of Nicaragua (Somoza's Nicaragua) was the single most familiar figure on the Washington party circuit. Sevilla-Sacasa lived in his tuxedo, and the wives of American dignitaries lived in terror that they might be seated next to him at yet another deadly function he was sure to attend. It is a matter of some agreement on today's circuit that Attorney General **William French Smith** is the Sevilla-Sacasa of the Reagan years. . . .

Speaking of cabinet members, one question the Washington press corps might ask itself this summer is how it is that Carter's budget director, **Bert Lance**, was disposed of in eight months while **Raymond Donovan** has hung on for 18. It isn't as if it took a long time for Donovan's mob connections to become clear. They were obvious from the very first day of the labor secretary's confirmation hearings, which, if you recall, he had some trouble surviving. Why was the press so much quicker to pursue the trail of a small-town banker?. . .

Reagan has shown far more desire to stick by the likes of Smith and Donovan than someone in his administration who was the victim of a vicious smear campaign. The target of the campaign was **Morton Abramowitz**, whose name was withdrawn as ambassador-designate to Indonesia after the Jakarta government raised objections. The career diplomat was done in by two things: first, a willingness to make enemies in the old-boy network—Abramowitz had ruffled feathers by criticizing a colleague who had left the CIA to work for a foreign government; and second, an embarrassing number of liberals among his friends. Abramowitz's anonymous enemies first circulated a scurrilous bill of particulars. When he was named anyway, the "document" was leaked to the Indonesian government, which knew better than to want a U.S. ambassador for whom the long knives were waiting at home.

In

WHITE HOUSE

Senior Staff Member, Office of Policy Development—**Peter J. Ferrara** has been special assistant in the Department of Housing and Urban Development.

Deputy Assistant Director for Legal Policy, Office of Policy Development—**William P. Barr** has been an associate with the Washington law firm of Shaw, Pittman, Potts & Trowbridge.

COMMERCE

Assistant Secretary for Productivity, Technology, and Innovation—**D. Bruce Merrifield**, a former vice-president of Hooker Chemical, has most recently been vice president of technology and venture management for Continental Group, an insurance and forest products company.

EDUCATION

Undersecretary—**Gary L. Jones** was deputy undersecretary for planning and budget.

STATE

Undersecretary for Political Affairs—**Lawrence S. Eagleburger** has been assistant secretary for European Affairs.

Assistant Secretary for European Affairs—**Richard R. Burt** has been director of Politico-Military Affairs.

Director, Bureau of Politico-Military Affairs—**Rear Admiral Jonathan T. Howe** has been military advisor to deputy secretary of defense, Frank Carlucci.

Counselor—**James L. Buckley**, a former U.S. senator from New York, has been undersecretary for security assistance, science, and technology.

Ambassador to the Dominican Republic—**Robert Anderson** has been special assistant for international affairs to the commander-in-chief of the Atlantic Command and the Supreme Allied Commander.

Ambassador to Paraguay—**Arthur H. Davis, Jr.** has been with Arthur Davis and Associates, Inc. in Lakewood, Colorado, a shopping center development firm.

Ambassador to Swaziland—**Robert Phinny** has been president of R.H. Phinny Company of Fremont, Michigan, an investment firm.

Ambassador to United Arab Emirates—**George Q. Lumsden, Jr.** is a career foreign service officer.

Out

WHITE HOUSE

Press Secretary to National Security Advisor William Clark—**Jeremiah O'Leary, Jr.**, is now a White House reporter for *The Washington Times*.

AGENCIES AND COMMISSIONS

Consumer Product Safety Commission
Commissioner—**R. David Pittle** will become technical director of the Consumers Union.

Federal Communications Commission
Commissioner—**Abbott Washburn** resigned effective June 30.

National Railroad Passenger Corp. (Amtrak)
President and Chairman of the Board—**Alan S. Boyd** has resigned, but will remain as chairman of American High Speed Rail Corp., an Amtrak affiliate.

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Political Booknotes

America in the Twenties: A History. *Geoffrey Perrett. Simon & Schuster, $20.95.*

Back to Basics: The Traditionalist Movement that is Sweeping Grassroots America. *Burton Yale Pines. Morrow, $13.*

Brothers: Black Soldiers in the Nam. *Stanley Goff, Robert Sanders, Clark Smith. Presidio, $14.95.*

The Bureaucratic Syndrome. *Byron L. Johnson, Robert Ewegen. North River Press, $10.95.* This book constantly careens between the absurd, the obvious and the insightful, but it is valuable because of the rare experience of its co-author, Byron Johnson, who has served in both the legislative and executive branches of both state and federal government. It's hard to think of anyone else who has had this four-sided view of the system.

—*C.P.*

California Conquered. *Neal Harlow. Univ. of California, $15.95.*

Corporate Cultures: The Rites and Rituals of Corporate Life. *Terrence E. Deal, Allan Kennedy. Addison-Wesley, $14.95.*

The Destined Hour. *Barry Rosen, Barbara Rosen. Doubleday, $17.95.* This first of the Iranian hostage memoirs is interesting on two counts. First, its sense of atmosphere and detail is riveting. Rosen is a scholar of Iranian culture and history, and his description of the country conveys a vivid sense of place. Once he has been detained by the militants, we learn details only as the hostages do—on bits of newspaper found in garbage cans, through taps on prison walls, in whispered hints.

The book's other point of interest is its harsh view of the American experience in Iran. Rosen was sympathetic to the revolution. Although he understandably lacks affection for the current regime, he has harsh words for the American diplomats and journalists who over the years bought the Shah's line. In their rush to congratulate themselves on the Shah's importation of Western society, many Americans failed to note that the people in the bazaars and villages didn't share their values. The point is not new, but it has special force coming from a former embassy press officer.

Barbara Rosen levels a similar criticism at the American media, which she came to know well during her time as a "hostage wife." She asserts the press covered the story with little historical perspective. By helping create a national obsession,

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the media—and Jimmy Carter—continually upped the ante in the eyes of the Iranians. The Rosens believe they would have been reunited sooner without yellow ribbons and Walter Cronkite.

—*Michael Waldman*

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The New Deal Lawyers. *Peter H. Irons. Princeton, $19.50.* The author, a political scientist and legal historian, intelligently traces government lawyers through three New Deal experiments: the National

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Industrial Recovery Act of 1933, the Agricultural Adjustment Act of 1933, and the National Labor Relations Act of 1935. Irons makes clear that an administration expecting to win reforms must prepare to enforce and defend them. Lawyers operating under the NIRA dealt with litigation as an afterthought. Those under the AAA brought from Wall Street a devotion to compromises and a disdain for going into court. But the National Labor Relations Board has learned from ineffectual predecessors and evaluated the facts of each case carefully. Its lawyers settled cases out of court that might have brought harmful precedents, and litigated those that would display their legal theories to best advantage. Of the three statutes, only the NLRA survived the challenges to its constitutionality.

—David Jonathan Cohen

An Ounce of Prevention: Child Health Politics Under Medicaid. *Anne Marie Foltz. St. Martin's, $27.50.*

Polls Apart. *John P. Robinson, Robert Meadow. Seven Locks, $14.95.*

Post-Conservative America. *Kevin P. Phillips. Random House, $14.50.* Phillips has an annoying habit of reminding readers of his prescience in earlier analyses and his coining of words like "New Right" and "Sunbelt," the origins of which are a little more obscure than he would have us believe. He even opens one chapter with a quote showing how smart he was in predicting the Republican resurgence back in the late 1960s. However, the book is more than an update. The section on how today's ultra-conservatives fit into a historical pattern of Middle-American radicalism is especially compelling.

—Jonathan Alter

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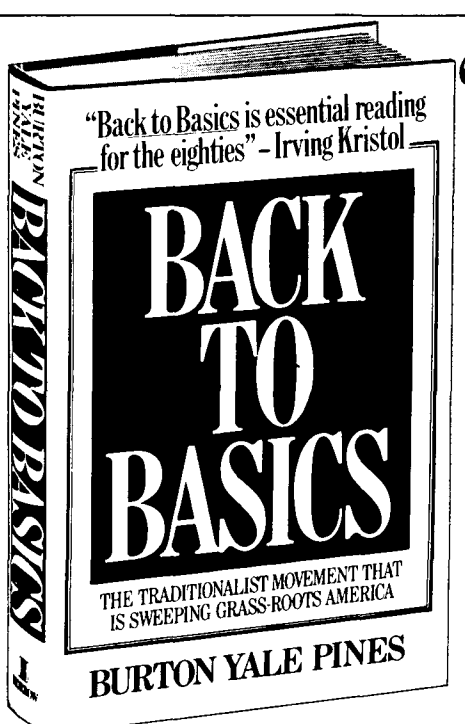
Russian Roulette: The Superpower Game. *Arthur Macy Cox. Times Books, $14.95.* Former CIA employee Cox provides an important contribution to arms control discussion. His arguments are less abstract and more realistic than those advanced by Jonathan Schell in *Fate of the Earth*, which included a call for world government and the abolition of nation-states. Cox calls for two separate sets of negotiations between the U.S. and the U.S.S.R. In the first set the two sides would negotiate an end to direct and



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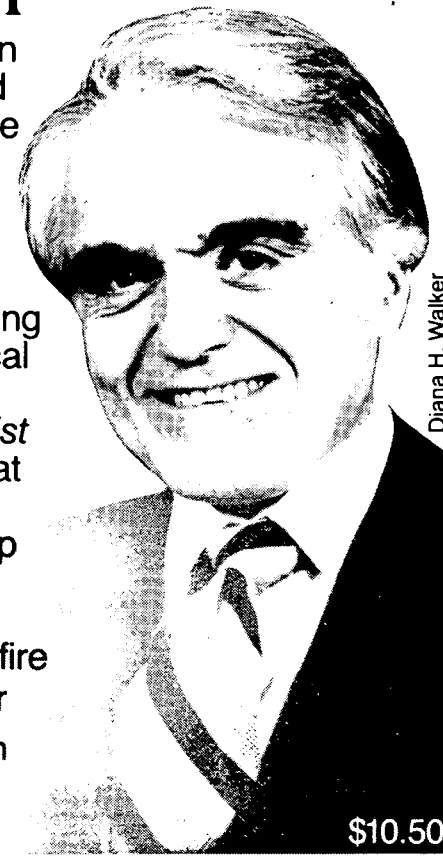
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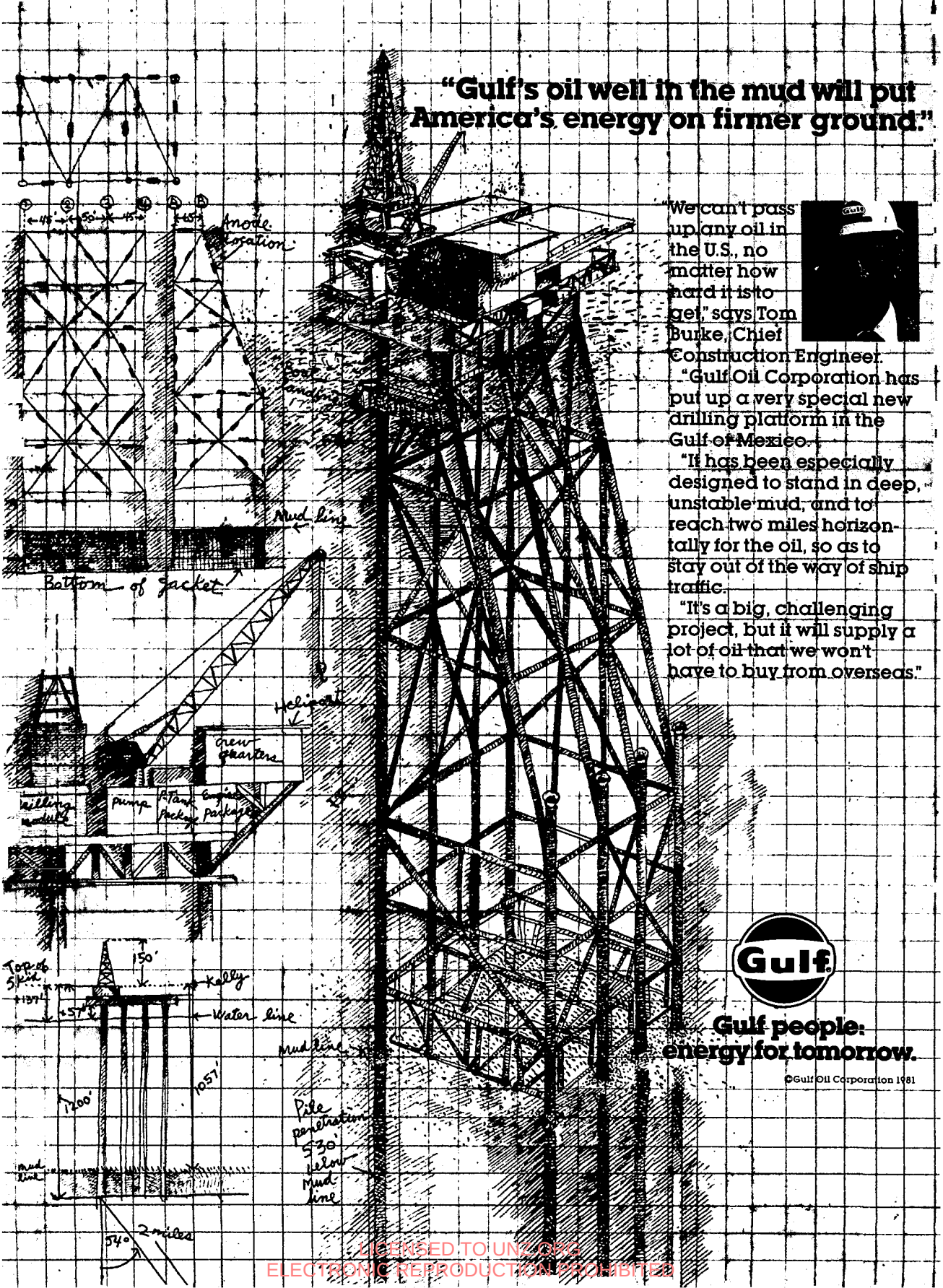

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